Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 26, NO. 18 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | September 14, 1987

New locations for future Gee Bee discount department stores will all be in malls and strip shopping centers, something company chairman Alvin Glosser said is "the wave of the future." (DSN photo)

Glosser to Double Size Over Next Five Years

By Laura Liebeck

JOHNSTOWN, Pa. — Glosser Brothers, owners of Gee Bee discount stores and Dollar Discount Outlets, is on an expansion course that will double the size of the company in the next five years.

Chairman Alvin Glosser told *DSN* that by 1992, Glosser Brothers will have 40 to 45 Gee Bee stores and 100 Dollar Discount Outlets.

Currrently, Glosser operates 22 Gee Bee's and 50 Dollar Discount Outlets in West Virginia, Virginia, Maryland, Pennsylvania and Ohio.

Glosser said that it is "very

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K mart to Boost Apparel Mix; Plans 2 Racetrack Test Stores

By Kenneth M. Chanko

NORTH BERGEN, N.J. — Representing an increased commitment to its apparel business, K mart Corp. next month will unveil a new test prototype featuring a racetrack aisle design with all apparel categories in the infield and hard goods that correspond to specific apparel categories directly across the aisle.

The new prototype will be tested in two Group 7, or mid-range (68,000-square-foot), units in Ohio, according to Glenn B. Smith, president of K mart Apparel, and features approximately 4,000 additional feet of apparel space over existing stores.

Smith, who would not reveal the location of the two Ohio stores, told *DSN* the prototypes, if successful, would be rolled out in the chain's 513 mid-range units. He would not speculate on what would happen beyond that.

The prototype, designed by a team of outside consultants based on studies of consumer retail traffic, represents "a completely new look for us, with expanded apparel space," said Smith.

Smith, who declined to reveal many details prior to the scheduled openings early next month, emphasized that the new racetrack, apparel-in-the-infield design is at this stage just "a test program." Consumer reaction and traffic studies after a period of time will determine whether the new design will be rolled out.

Smith said that in addition to the prototype test, the chain is continuing its program of adding about 4,000 square feet of apparel space in existing stores across the country. By the end of the year, 200 stores will have the new apparel space, with 800 to 1,000 units earmarked for the refurbishing, said Smith.

The categories to be expanded include the chain's newest two, petites and big and tall, as well as other women's, children's, infants' and maternity, he said, adding that the additional square footage is being created by cutting back on auto service, building materials and snackbars, along with some cuts in backroom and stockroom space in certain stores.

Smith said the additional space represents an average 15 percent increase over existing apparel footage and increases the apparel portion of K mart's mix to 30 percent from 25 percent.

Major Discounters 'Hablan Español' In Pitch to Attract Hispanic Market

By Richard C. Halverson
Nationwide DSN Report

"Complacerlo a Ud. Es Nuestro Mayor Interés." (Pleasing You Is Our Main Concern).

That's the way Chief Auto Parts, a specialty automotive discounter based in Dallas, starts its traditional customer comment card—in Spanish.

With such promotional materials and advertisements on Spanish radio and television, Chief has joined a small list of discount chains attempting to tap the growing Hispanic market by speaking its language.

K mart, Zayre (in Miami and Florida) and Target on the West Coast are among the handful of discount chains that have joined such companies as Sears Roebuck & Co., J.C. Penney, Ford Motor Co., Adolph Coors Co., Coca-Cola, AT&T, Metropolitan Life Insurance and Procter & Gamble in reaching out to the nation's 18.9 million legal Hispanic residents in their native language.

(Continued on page 10)

Men's Fashions Draw Buyers to L.A.

With discounters paying increased attention to young men's fashion looks—like the goods in this Canadian Towers store—buyers will be walking the aisles at this month's MAGIC show in L.A. with plans to buy. An in-depth outlook for '88 spring fashions and an exclusive study on men's wear buying patterns starts on page 105. (DSN photo)

Absence of Key Suppliers Blamed

Top Chains Skip HouseWorld Expo

LAS VEGAS — The absence of many major housewares vendors resulted in a light discounter turnout at the first annual HouseWorld Expo, held here at the Las Vegas Convention Center, from Aug. 31 to Sept. 2.

The show drew about 400 manufacturers, including a smattering of larger discount industry suppliers such as Libby, Royal Creations and Sturdi-Craft, said Ronald Fippinger, group show director for The Interface Group, producer of the show.

Ronald Fippinger

Malcolm Sherman

However, retailer traffic was sparse and predominantly composed of representatives from smaller retailers and mail order firms.

The giant discounters like Target, K mart, Wal-Mart and Caldor all skipped the show.

Several of the chains told *DSN* they did not go to the Expo because many of their key manufacturers were not there. Vendors such as Rubbermaid, Corning, Wearever/Proctor Silex, Westbend, Mr. Coffee, Sunbeam, Eureka and Conair did not have booths at the 100,000-square-foot Expo.

(Continued on page 159)

Opportunity to Expand Distribution

Atari to Buy CE Chain

By Pamela Krein

LOS ANGELES—The beleaguered CE chain, The Federated Group, has agreed to a $67.3 million merger with computer and video game manufacturer Atari Corp. The deal not only brings an infusion of much-needed capital to Federated, but also affords Atari the opportunity to expand its product distribution.

Atari commenced its $6.25 per share tender offer on August 28, for the 10.8 million outstanding Federated shares. The merger is subject to Atari receiving approval from Federated's bank lend-

(Continued on page 159)

Men's Wear Buying S... | *Federated Does* | *Home Security Hot At Hardware Show* | *25 Years of Discounting*

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MS JEANNE LONG
CONGRESSIONAL INFOR SVC 1HJ
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

MARKETWATCH

ABC Cancels Home Shopping Show

NEW YORK — The ABC-TV network last week cancelled Bargain Hunters, the daily 30-minute teleshopping game show which it began airing in early July. Cataloger L. Luria & Son had been sourcing merchandise for the program which was broadcast for only about half of its 13-week test. Bargain Hunter's demise follows that of three other video retailing programs that had been carried on broadcast TV stations. The Home Shopping Network's daily half-hour Home Shopping Game Show was axed by CBS-TV and other stations early last month after a three-month airing, while ValueTelevision, which combined teleshopping and entertaining in a one-hour format, was dropped in early July by the Fox Network after a six-month run. Dayton Hudson Department Store Co. suspended its daily one-hour DH-Direct in June after a 13-week test on independent stations in 16 markets.

Catalog Group Relocates Headquarters

WEST SIMSBURY, Conn. — The National Association of Catalog/Showroom Merchandisers (NACSM) has moved its headquarters. The new address is P.O. Box 699, West Simsbury, Conn. 06092. Phone: (203) 651-4224.

Macy's Hops on Specialty Bandwagon

NEW YORK — R.H. Macy & Co., a full-line department store based here, reportedly will roll out four new specialty store chains, beginning with a fall introduction of one concept. A Macy's spokeswoman would not confirm this report but told *DSN* that Macy's chairman and chief executive officer, Edward Finkelstein, will hold a press conference in New York by the end of September, presumably to discuss the chain's expansion plans. Press reports about Macy's new specialty stores began in mid-August when *Women's Wear Daily* ran a story about the retailer's plans to open specialty stores based on an interview with Finkelstein. The story in the Aug. 11 issue reported that pilot stores are "expected to open" in Northern California and possibly New Jersey, and would include junior, misses' and young men's merchandise.

Dart Group Is Interested in Chief Auto

NEW YORK — Another discount automotives chain has emerged as a potential buyer of Chief Auto, Dallas. The Dart Group, owners of Trak Auto, Landover, Md., intends to make an offer to buy the 475-store chain from Southland Corp. soon as it receives a sales prospectus Chief is preparing. Trak operates about 222 stores. Southland announced that it intends to sell Chief and other assets to help pay for a $4 billion leveraged buyout. Previously, Checker Schuck's Kragen, Phoenix, Ariz., said it was interested in Chief to help it reach its goal of 1,000 stores. It now operates about 500. Industry sources said Michael Manor, division manager of Chief, is attempting to line up financing for a management buyout of the chain.

Seiden to Head Consumers Dist. (U.S.)

TORONTO — Consumers Distributing (Canada) has named Stanley Seiden president of its subsidiary Consumers Distributing (U.S.). He was head of Weiboldt Stores.

FOR THE RECORD

The word "prices" was inadvertently omitted from a headline appearing in the Aug. 24 issue of *DSN* that stated, "Survey Shows Videocassette Rentals Steady, Sales Declining." The studies reported that rental prices of prerecorded videocassettes are holding steady, while sale prices are declining.

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Heck's New President Views Mission As 'Redefining' Chain's Direction

By Peter Hisey

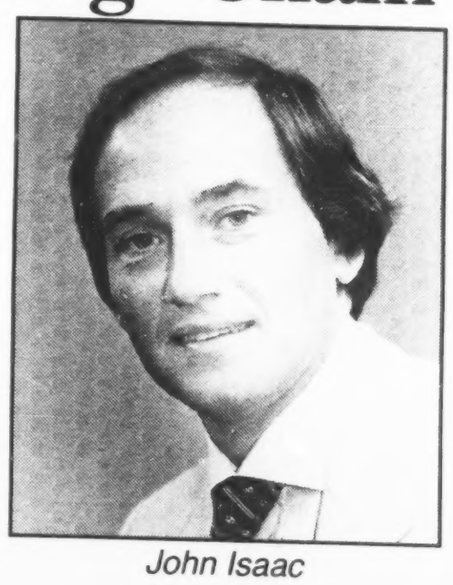
NITRO, W. Va. — Former Service Merchandise president John Isaac has been named president of Heck's, the 95-store discount chain headquartered here. Isaac, 42, replaces Theodore Kazleman, who resigned in July.

Heck's chairman Russell Isaacs, who announced the appointment of Isaac (no relation), said, "His extensive retailing background will be instrumental in helping Heck's affect the recovery it has been working so diligently to achieve."

The company has been operating under Chapter 11 since March.

"Obviously, our first priority is developing a plan of reorganization acceptable to all parties (in the Chapter 11 proceedings)," Isaac told *DSN*. "But we also have to be sure that it works.

"I think the company has been making good progress in redefining its basic core group of stores and in re-evaluating its future direction," he added. "I'm very optimistic about our prospects."



John Isaac

Heck's has closed 29 "unprofitable" stores since March and will continue to evaluate the remaining locations' profit potential, Isaac said.

Operating within Chapter 11 constraints, Heck's has managed to re-establish several lines of supply which were cut in the period shortly before the company applied for bankruptcy protection.

"Most of our vendors have been outstanding in their support," Isaac said.

Isaac said that the most important issue facing Heck's is "deciding what we want to be." Although larger chains (Wal-Mart, for instance) are moving into Heck's traditional mid-Atlantic market, Issac said, "We can compete."

In addition to serving as president of Service Merchandise from 1981 to 1986, Isaac has experience with Gold Circle, Arlans, Duty Free Shoppers and, most recently, with Tradevest, a Florida retail catalog mail order company where he served as president.

In other news, William Bragg Jr. was appointed secretary of the company and named to the board of directors. He succeeds H.G. Shaffer Jr., who recently retired after 20 years as a director and company secretary. Bragg started as a staff attorney with Heck's in 1980 and was named general counsel (a title he will retain) and assistant secretary in 1983.

Also, Lew Soulsby has rejoined the company after a year's absence as senior vice president of marketing and advertising. He had previously served in various positions with Heck's for 17 years.

Grand Auto Off Block; Names CEO

OAKLAND, Calif. — Grand Auto has taken itself off the auction block and appointed a new president to ride the 112-store chain out of its earnings slump.

Thomas F. Herman, formerly a senior executive of the Lucky Auto division, which operated Checker and Kragen stores, has been named chief executive officer and president, Grand Auto announced.

In addition, Grand told Shearson Lehman Brothers to stop looking for a buyer for the chain.

Back in March, Grand had retained the investment banking firm to seek a buyer, but no offers were received that the board found acceptable.

In other news, sales remained flat for the second quarter ended July 27, 1987, while earnings declined. Sales totaled $43.7 million for the second period, compared to $43 million the previous year.

After-tax income plunged to $105,000 for the quarter from $409,000 a year earlier. Earnings fell to 3 cents per share from 13 cents per share.

For the six months, sales came to $84 million, virtually unchanged from the same half of 1986. Grand reported a loss of $19,000, equal to 1 cent per share, compared to a profit of $219,000 and 7 cents a share in the same six months of 1986.

Gary D. Hill, chief financial officer, said the decline in profits stemmed from higher labor costs as a result of a new union contract and an expensive advertising campaign which ended in July.

Last October, Lucky sold its auto division to the holding company that owns Schuck's Auto, based in Seattle. The acquisition produced a chain, Checker Schuck's Kragen, based in Phoenix, with about 500 stores and 1986 consolidated sales of $412 million.

DSN Accepts DISC Award Entries

NEW YORK — *Discount Store News* has announced that the entries for the 1987 Discounters in Service to the Community (DISC) award are now being accepted.

The DISC award, established by *DSN* in 1979, recognizes the outstanding community service efforts of discount store chains. Last year's award recipient was Framingham, Mass.-based Zayre Corp.

Each entry should include a 100-line statement outlining program goals, and clippings, letters, etc. exemplifying the specific community service programs. Please submit six entries which will be reviewed by a panel of judges from the discount industry. The deadline is Oct. 1.

Mail entries to: Editor, *Discount Store News*, 425 Park Ave., New York, N.Y. 10022.

U.S. Shoe Sells Six Front Row Stores

CINCINNATI — U.S. Shoe announced it has sold all six of its Houston, Tex., Front Row off-price family apparel stores to Edmond Wulfe, founder of a commercial real estate, brokerage and consulting firm in that city.

The stores will continue to be operated as Front Row with Edmond's brother, Emil Wulfe, as president and chief executive officer.

The six stores represent $20 million in annual sales, according to U.S. Shoe. Six other Front Row stores in Atlanta, Chicago and Indianapolis—representing $30 million in annual sales—will continue to be run by U.S. Shoe.

"Houston has a depressed economy, and we felt an independent could run it more efficiently than we could from Cincinnati," said Edward Klee, vice president of finance.

Additional Front Row units might be constructed in the Atlanta and Chicago markets in the future, according to chairman Philip Barach.

In addition to the Front Row sale, the company also recently sold three entire divisions: the 218-unit J. Riggings men's wear division; The Home Front, a 26-store linens and domestics chain; and the men's shoe manufacturing and wholesale division.

The company plans to open two T.H. Mandy off-price stores before year-end, despite flat sales, bringing the chain to 19 stores.

Another 100 specialty apparel units are planned by January 1988 among Casual Corner, August Max and Petite Sophisticate.

U.S. Shoe also announced it will soon begin manufacturing performance athletic and walking shoes called "Easy Spirit." Barach estimates the new division will generate as much as $25 million in sales within a three-year period.

Corporate sales were up 12% for the second quarter to $511 million. Net earnings rose to $5 million from a loss of $5 million during the period last year.

25 YEARS OF DISCOUNTING

From the birth of K mart to the demise of Korvettes, this special report traces key events that have shaped the discount industry since 1962. In addition, a series of exclusive interviews with key executives examines the future of discounting.

Retailing Leadership:
A History of the Discount Industry
—pages 36 to 53

Retailing Outlook:
Execs Address Discounting's Future
—pages 55 to 82

25th ANNIVERSARY

Retailing Leadership:

A Quarter-Century History of the Discount Industry

By Arthur Markowitz

Discount stores burst on the American retail scene in a big way in the '60s.

The discount concept, however, can be traced back a half century earlier to innovative merchants with small apparel stores in New York City. The industry itself started to take shape in the late 1940s and early 1950s, as a number of companies pioneered this new retailing format.

In 1912, Samuel Klein opened S. Klein on Union Square in downtown Manhattan, geared to volume selling and rapid turnover of apparel at low prices. A dozen years later, Joe Weinstein started Mays in downtown Brooklyn, while in 1928, George Farkas launched Alexander's in the Bronx. Weinstein and Farkas added the idea of buying samples, overruns and closeouts of fashion apparel to Klein's low-margin, high-volume merchandising concept.

The discount concept in the 1930s saw Mary Chase open Chase Clothing in 1933 as a piperack apparel discounter, while Steve and Philip Masters applied the idea to hard goods in 1937 when they unveiled Masters, offering radios, a hot depression item, at discount prices. Within a decade, discounting as a merchandising idea began to take on the rudiments of today's discount store industry.

In the late 1940s, shuttered New England factories and mills were converted into discount stores by such merchants as Ollie Cohen and Murray Candib of King's and Lester Palestine of Arlans. Meanwhile, in a former New Jersey diner, Herbert and Sidney Hubschman launched Two Guys as an appliance discounter.

New York City, which was the birthplace of the discount concept almost a half century earlier, saw Eugene Ferkauf start Korvettes in a loft as a semi-membership store, first selling brown and white goods and then a broad mix of hard lines.

National newsweeklies made Ferkauf and Korvettes a cover story subject, turning the discount concept practiced by a scattering of retailers into a national phenomenon.

Discounting Picks Up Speed in '50s

The industry's growth picked up speed in the 1950s; the list of chains launched then reads like a founders' Who's Who of discounting. Innovative merchants started Caldor, Bradlees, Hills, Heck's, Goldmans and Leonard's; Gibson was launched as a franchise operation; Fed-Mart, Fedco and GEM began as membership stores; and the booming discount field attracted other retailers.

Zayre, Shoppers Fair, Zody's and Barker's were founded by apparel specialty chains; Big K and Masons by variety store operators; Valu-Mart by a credit jewelry company; Fred Meyer, Grand Way, J.M. Fields by supermarket firms; and Interstate Stores (Topps and White Front) by a department store operator.

While this was going on in full public view, another discount format—catalog showrooms—was starting to take shape in the 1950s, quietly and often in stores that weren't open to the public, but only to card holders.

The seeds of the catalog showroom industry go back to at least the late 1800s, when wholesalers, and a few 'retailers,' used catalogs to sell to their customers. Merchandise could be ordered by mail from the retailers, including firms that eventually grew into today's Sears Roebuck and Montgomery Ward.

While most catalog companies in the 1930s, 1940s and early 1950s were wholesalers and jobbers, a few sold goods to the general public, but only on a closed-door basis. This began to change in the late 1950s as the wholesalers and jobbers and the handful of small local retailers like jewelry stores that used makeshift catalogs started to sell to the general public.

Buying groups and enterprising individuals started to put together more professional catalogs, using colored illustrations and original art.

Many small retailers and former wholesalers began using the books and displaying samples. These included post exchange suppliers (Ellman's), book distributors (Best Products), tobacco jobbers (Paysaver), jewelers (Edison Jewelers), candy distributors (Fred Gattas), silverware suppliers (L. Luria & Son), hardware jobbers (Anchor Distributors), grocers (Brendle's), and domestics stores (Sam Solomon).

Some still sold on a closed-door basis, but others opened their 'stores' to the public. These new catalog showrooms became members of a new type of organization, a group that used a catalog put together by one company, the catalog coordinator.

The stage was now set for the evolution of the discount concept into two retailing formats:

One was the explosive growth of full-line discount stores that rapidly made these merchants the nation's leading retailers of general merchandise. This path was paved in the 1960s by the launching of a host of chains like K mart, Wal-Mart, Target, Venture, Clover and Gold Circle, that today are the backbone of the discount field.

The other was the more measured growth of catalog showrooms as specialty discounters that merchandised mainly jewelry and hard goods. The late 1950s saw this industry coalesce into about a dozen groups, including today's surviving coordinators, Paul Schultz Catalogs, Merchandisers Association Inc., Jewelcor Merchandising, American Merchandising and Associated Charter. The dozens more retailers that opened their doors to the public in the late 1950s and early 1960s include the about four dozen chains that currently comprise the showroom industry, companies like Service Merchandise, Best, Luria, Dahlkampers, Brendle's, Fred Gattas and W. Bell.

25th ANNIVERSARY

1962 to 1966: Korvettes Is Sales Leader; Today's Big Three Chains Born

If the 1960s gave birth to the discount industry of today, then 1962 was a premier year.

A quarter century ago, K mart, Wal-Mart and Target opened their first stores, setting the stage for their eventual development into the nation's three leading discounters.

In the process of becoming the industry's stellar chains, K mart converted a stagnant S.S. Kresge variety company into the country's second-largest general merchandise retailer, Wal-Mart made a small Arkansas variety chain into a national merchant, and Target made discount retailing the highest-volume operation for the Dayton Hudson conventional department store firm.

The trio entered a strapping industry of full-line chains that already had just under 1,500 stores and that had recorded $4.25 billion in sales the year before, *DSN* reported in its very first issue.

The industry at the start of the 1960s, for the most part, was composed of chains that aren't around today. *DSN's* listing of these discounters was led by Korvettes, the volume leader with over $200 million in sales (and 15 stores); Interstate (24 units); GEM (15); Spartans (22); and Two Guys (16). Other early discount powerhouses that aren't around today were J.M. Fields, Masters, Arlans, Atlantic Mills, Clark's, Shopper's Fair, Fed-Mart, Bargain City, Maxam's, Floyd Bennett, King's and Towers Marts, along with smaller operations like Globe, Jefferson, Mammoth Mart, Community Discount Center and Grand-Way.

Two Guys, the fifth largest discount chain 25 years ago, was launched in the '40s by Sidney and Herbert Hubschman—Two Guys from Harrison, N.J. (DSN photo)

Today's Leaders Date Back to '62

But there are a handful of current chains that go back a quarter of a century: Zayre (a power even then with $100 million in sales from 27 stores), Bradlees, Caldor, Fred Meyer, Ann & Hope, Meijer, Fedco, Hills, Jamesway, TSS-Seedman's and Nichols. For the most part these were small chains, focusing on a regional operation, intent on learning the new discount form of retailing and perfecting their business before expanding.

Other companies, attracted by the industry's fast-track growth, tested the discount waters in 1962 by launching chains. Variety store operator F.W. Woolworth started Woolco, while Neisner Bros. unveiled Big N. and Allied Department Store began Almart. Down the road, these three chains also wouldn't prove as successful as the K mart, Wal-Mart and Target trio.

While the industry was attracting enterprising new companies, along with established retailers, conventional department stores, for the most part, looked askance at the discount concept and the upstart chains. The head of the National Retail Merchants Association, the department store industry's trade group, called discounters "sinners" in 1962 and said discounters and discounting wouldn't be discussed in public.

The situation quickly changed due to the impact discounters were having on retailing. The NRMA began sponsoring seminars on discounting to enable members to learn about this new retailing concept and be better equipped to compete with discounters and even launch their own discount store chains.

Within two decades, department-store-bred discounters like Target, Venture, Clover and Gold Circle would be among the industry's most successful chains. Discounters, meanwhile, became the major retailers of basic hard lines, while department stores focused their merchandising on apparel, particularly designer labels, and lifestyle categories like home furnishings.

While discount stores were becoming a major merchandising force in the early 1960s in full view of other retailers and the public, the other innovative discounting format—catalog showrooms—was unobtrusively taking shape behind closed doors and in low-rent industrial areas. Many companies traced their roots back to at least the 1950s, if not earlier, when they were mainly skewed to wholesaling and jobbing, selling to businesses and to those consumers who had a shopping card.

1962		
	Sales	Stores
Industry Total*	$ 6.0 bil.	1,500
Korvettes	235.4 mil.	21
Interstate	220.8 mil.	44
GEM	164.3 mil.	30
Spartans	116.0 mil.	39
Two Guys	115.1 mil.	20

Now in the early 1960s, the catalogers were sharpening their operations and opening their doors to the general public, putting together full-color catalogs and unveiling larger display areas.

The catalog industry was all but ignored by other retailers because of the limited number of showrooms and the specialized focus of its merchandising: jewelry and hard goods.

The boom full-line discount store industry, however, was closely monitored and avidly shopped by traditional retailers and the public. The result: The industry's growth and development in 1962 set the pattern for what followed during the next few years.

In the early 1960s, the prime concerns of discounters included the so-called Fair Trade laws and Sunday Blue Laws. Discounters, supported by consumer groups and even the Federal Trade Commission and the National Better Business Bureau, won some battles against Fair Trade and a growing number of non-apparel manufacturers began selling direct to chains.

Sunday Blue Laws, however, wouldn't be overcome until the late 1970s and early 1980s, with scattered localities even today still banning the sale of selected items on Sunday.

The acquisition trend, which would result in the consolidation and contraction of the discount industry within two decades, showed a low profile in 1962 as Diana Stores, a leased apparel operator, bought the Great Eastern and Gulf-Mart chains, while Jewel, a supermarket operator, moved into the discount general merchandise arena by acquiring Turn-Style. The pace picked up during the next few years as larger companies like lessee Unishops bought scattered small operations like Clarkins, while closed-door operators GEM and Parkview combined.

The big blockbuster deal, however, came midway through the 1960s: Spartan Department Stores merged with Atlantic Thrift Centers early in 1966 to create the second largest chain in units (after K mart) and the combined Spartan Industries then acquired Korvettes, creating a $1 billion-plus retailer that topped K mart, which was just under $900 million in volume.

The industry's explosive growth was already evident in the early 1960s.

In 1962, when *DSN* first began tracking the industry's performance, the 2,025 stores generated $6 billion in sales. Soon after, in 1966, the number of units had grown to 2,684 stores, an impressive 32.5 percent increase. This percentage, however, paled before the explosive volume jump of 91.8 percent to $11.51 billion.

In 1966, two familiar names, K mart and Zayre, were the leading chains in units, with 162 and 83 stores, respectively. There were only eight Targets then and about the same number of Wal-Marts. The other leading discounters in stores midway through the 1960s were Arlans, 71 units; Interstate, 66; Woolco, 52; King's, 41; and Two Guys and Parkview-GEM, each with 33.

Chains Trading Up Merchandise

The growth in stores alone didn't account for the big jump in sales. A major factor was the attempt by many chains to trade up their merchandising to broaden their customer base by attracting higher-income consumers. Key to this effort was making their stores more appealing and easier to shop through the use of the newest fixtures that highlighted the better quality lines becoming available to discounters.

The industry's sales clout, along with the upgraded image of many chains, resulted by 1965 in increasing numbers of shopping center developers rolling out the welcome mat for discounters. While strip centers continued to be the industry's core location, discounters were becoming more successful in their drive to be included in new malls so they could benefit from the higher traffic.

Many discount stores started life in the early 1960s as partly or wholly leased operations. Even predominately company-operated chains like K mart included leased sections. As discounters became more mature in their merchandising, two trends became evident by 1966: Lessees started to merge to form one company to run a chain, while companies began taking over leased sections through either acquiring the lessee or adding buyers for these departments.

1967 to 1971: Industry Matures; Chains Go Public to Fuel Expansion

The discount industry grew up in the five years between 1967 and 1971.

Let's measure the ways:

- New entries. A dozen traditional department store companies and variety store chains boosted the ranks of the industry by launching full-line discount stores, while other retailers tested the catalog waters by starting up showrooms.
- Acquisition/mergers. Almost as many full-line discounters and catalogers were involved in either merger or acquisition deals, reflecting each type of discounter's efforts to strengthen its operation through the quick and low-cost takeover route.
- Going public. Wall Street's fascination with both types of discounters saw a handful of privately held chains turn to the stock market to fuel their expansion—and also deliver a handsome return to the original investors.
- Bullish investor interest in discounters. Stock analysts highly rated a number of full-line discounters, citing these chains' ability to get financial backing and expand.
- Changing of the guard. A new generation of executives moved into the top corporate offices of the full-line chains as the industry began to reap the benefits of raising discount-oriented management. The small catalogers, meanwhile, remained in the hands of the founding fathers.
- A trade association for full-line discounters was born in 1968, the Mass Merchandising Research Foundation, which changed its name to the National Mass Retailing Institute a year later.

But the good times didn't go on forever: A recession, tight money and high interest rates descended over the nation in 1970 and 1971, taking its toll among discounters and catalogers, including sending some chains into the bankruptcy courts.

The industry's maturity was symbolized in 1967 with the announcement by Federated Department Stores that it planned to launch a discount chain. The new Gold Circle, an upscale full-liner similar to Target, opened its first store in Ohio in 1968, the same year that two other traditional retailers disclosed plans to join the parade. Rich's opened two Richway stores in 1968 in Atlanta, while the May Co.'s Venture debuted two units in St. Louis two years later. May's announcement came when Target, up to then only located in the Twin Cities, expanded by opening a store in St. Louis and targeted Houston as a new market for 1969.

Caldor founder Carl Bennett (center) attends an opening in the '60s. (DSN photo)

The next year, 1970, saw a host of new full-line discounters besides Venture and Richway. Strawbridge & Clothier in Philadelphia started Clover, while three variety store chains launched discounters: J.J. Newberry unveiled Lee's in South Carolina, Danners opened 3D in Indiana and G.C. Murphy launched Murphy's Mart in Pennsylvania. Duckwall, another variety store operator, launched ALCO with three units in 1971.

While the discounters started by the four conventional department stores, along with ALCO, were successful, Lee's was eventually shuttered; G.C. Murphy was taken over by discounter Ames in 1985; and 3D, all that was left of Danner's, was acquired early in 1987 by Maxway.

While catalog showrooms still were a "secret" business during this period, the industry showed similar growth. Paul Schultz, who had been active in the showroom field, started coordinator Paul Schultz Catalogs in 1967, encouraged by Harold Roitenberg who in 1960 had founded what later became the premier group, Creative Merchandising. When all but one Creative Merchandising member left that coordinator in 1983, they joined Paul Schultz Catalogs as the Premier Merchandising & Marketing division.

Two showrooms operators made key moves in 1967. Brendle's—now one of the top five catalogers—opened a showroom in Winston-Salem, N.C. This second Brendle's unit marked the grocery company's conversion into a showroom operator, as the unit was open to the public and the duo resulted in management searching out a coordinator for its book, joining MAI the next year. Save-Rite, meanwhile, was spun off into a separate showroom division in 1967 by its parent, Daniels Tobacco.

As new companies entered full-line discounting, older chains went on an acquisition and merger binge as big companies gobbled up smaller operators. In 1967 alone, Zayre bought Shopper's World; Two Guys obtained Unimart and Food Giant; Gray Drug bought Bargain City/Rink's; and Gamble-Skogmo took Buckeye Marts. The next few years saw King's add Miracle Mart; Gaylords grab Giant Tiger; Daylin take over Wonder World; and Cook's acquire Clark's.

While these takeovers were hailed as positive steps when they occurred, in reality they hid a core defect in the discount business—the weak management and operation of many of the chains involved in the marriages. The larger discounter that resulted from a takeover operated more stores and recorded higher sales, but the wedding rarely added management expertise or better operational controls. Of these eight acquiring chains, only Zayre continues to this day, with the last remaining Cook's likely to be phased out this year.

The recession in the early 1970s resulted in the first concrete signs of the underlying weakness lurking in many chains showing up at three leading operators. Interstate, which rode two horses, Topps and White Front, and was a player in the takeover game, saw profits plunge and then turn to red ink. It sharply scaled down its discount growth in 1971, putting its muscle behind its toy specialty store operation which eventually became Toys "R" Us and the surviving firm when Interstate filed Chapter 11 in 1974.

Arlans, another giant, also spurted red ink and, in 1971, management of the chain was taken over by the much smaller Family Bargain Center, which then proceeded to close stores and cut expenses. But it wasn't enough, and Arlans also filed bankruptcy three years later.

Korvettes, which symbolized the industry, started a profit slide after its merger with Spartan Industry. Its latest owner, Arlen Realty and Development Corp., separated its retailing arm into the Korvettes and Atlantic divisons and tried a host of moves—all to no avail. The slide continued and Korvettes' last owner, a French company, phased out the chain at the end of the decade.

Wall Street Gets Interested

The goods times of the late 1960s that preceded the subsequent recession generated extensive Wall Street interest in all forms of discounting—and encouraged a number of companies to go public. Dayton's, the conventional department store chain, made the move in 1967 and said the funds would be used to bolster its Target arm. Joining in the trend were Alexander's in 1968 and Wal-Mart in 1970.

That year, 1970, can be fingered as the time catalog showrooms burst on the mass retailing and Wall Street investment scenes. It goes back to Best Products, which went public in 1970, and *Barron's* wrote a highly complimentary piece on the showroom industry. Going public the following year were Service Merchandise and Creative Merchandising, which took the name Modern Merchandising to better reflect its joint coordinator and showroom chain business.

The human side of the discount industry's growing up during the late 1960s can be seen in the executive changes. In 1968, for example, Eugene Ferkauf, who founded and symbolized Korvettes, left as the new Spartan Industries owners put its own team in place. Two years later, Harry Cunningham, who launched K mart, irreversibly changing an old line variety store chain, S.S. Kresge, into a discounter, turned over the chairman and chief executive office post to president Robert Dewar. May Co., meanwhile, tapped John Geisse, an architect of Target, to head its new Venture chain.

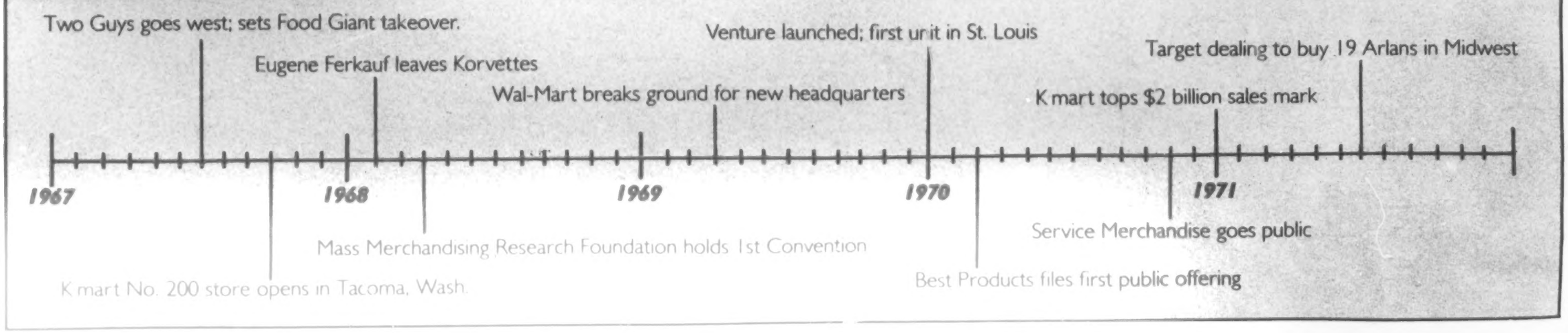
Finally, another sign of the industry's growing up during the 1967 to 1971 period: Dun & Bradstreet in 1969 said full-line discounter's $18.4 billion volume accounted for 5.8 percent of the nation's total retail sales. In that same year, K mart and Gibson became the first discount "billionaires" with sales of $1.25 billion and $1.1 billion, respectively.

1967

	Sales	Stores
Industry Total*	$ 13.6 bil.	3,005
K mart	1,340 mil.	215
Gibson	700 mil.	370
Korvettes	600 mil.	45
Interstate (Topps, White Front)	565 mil.	85
Zayre	400 mil.	112

*Full-line discount department store sales only

Source: Discount Store News


Two Guys goes west; sets Food Giant takeover.
Eugene Ferkauf leaves Korvettes
Wal-Mart breaks ground for new headquarters
Venture launched; first unit in St. Louis
Target dealing to buy 19 Arlans in Midwest
K mart tops $2 billion sales mark
1967
1968
1969
1970
1971
Mass Merchandising Research Foundation holds 1st Convention
K mart No. 200 store opens in Tacoma, Wash.
Best Products files first public offering
Service Merchandise goes public

1972 to 1976: For Discounters, It Was Best of Times, Worst of Times

The discount industry was on a roller coaster ride in the early '70s, as some full-liners reached new sales highs while others fell by the wayside.

As the 1970 to 1971 recession abated, full-line discounters seemed to be in position to attain new sales and earnings peaks. Chains added stores at a record pace while expanding their merchandising into such new growth categories as do-it-yourself and leisure living.

But a mini-recession hit the nation in the mid-'70s, intensifying the failure of weak discounters and even reaching out into the conventional retailing field by striking down W.T. Grant. Discounters, particularly K mart, catalog showrooms and the emerging specialty discounters quickly gobbled up many of the closed Grant units available after 1976.

The now grown-up, full-line discount industry hadn't escaped the first economic slide in the early '70s unscathed and during the next few years underwent a shakeout, as weak operators were acquired or folded.

Catalogers had started to become a significant retail segment by the mid-'70s, and when the mini-recession hit, some smaller and weaker showroom operators failed or were acquired by larger catalogers.

The recession had taught discounters two vital lessons.

One was that chains, having saturated most major metro markets, now had to turn to medium and smaller communities for expansion. These markets, however, required scaled-down stores and chains began paring their prototypes.

A 1972 *DSN* survey found that only 30 percent of new discounter stores opened that year were in the top 50 markets, down from 38 percent the year before. This situation, in part, reflected the fact that chains like Jamesway and Wal-Mart, whose expansion was starting to make an impact, operated in smaller markets with stores ranging between 35,000 square feet and 50,000 square feet.

Concurrently, major chains that typically ran units in the 70,000-square-foot to 100,000-square-foot range, like K mart, Zayre, Target, Two Guys, Giant and Mammoth Mart, unveiled scaled back stores for smaller markets.

Sol Price (left), ousted after FedMart's acquisition by a German retailer, went on to launch the Price Club in 1976—thus becoming the father of the membership warehouse club industry. (DSN photo)

The trend to smaller stores was clear by 1976, when units in the 40,000-square-foot to 50,000-square-foot range accounted for 35 percent of the new stores, more than any other size. This development was aided by K mart's unveiling of 125 Group Nine (40,000-square-foot) stores.

The other lesson was that the more competitive retail scene meant discounters, in order to survive, would have to market the latest merchandise and sharpen their operations, including using the latest technology.

Discounters in 1972 were starting to test hand-held tag readers that manufacturers were beginning to offer as auxiliary equipment to the electronic registers that were becoming the standard point-of-sale terminals. However, chains were holding back on making major commitments to the rapidly changing technology while they awaited development of standardized systems.

The contending marking methods were the existing supermarket industry-developed UPC bar code and a system using human-read digits being developed by conventional department stores, some discounters and general merchandise manufacturers working through the National Retail Merchants Association and the National Bureau of Standards.

When the NMRA/NAB system, called OCR-A, reached fruition by the mid-'70s, it received scant attention from discounters. Most were already selling UPC-marked basic items and consumables, but 10 years would pass until discounters, led by chains like K mart, Wal-Mart and Gold Circle, would begin point-of-sale scanning of UPC. The National Mass Retailing Institute, the industry's trade group, in 1986 adopted UPC as the preferred technology.

Discounters began using technology to solve other operational problems in the early '70s. Keying in sku numbers became common, and chains like Woolco, Zayre, and J.M. Fields began using courier services for overnight delivery to headquarters of stores' register tapes. By the mid-'70s, many discounters were getting overnight sales reports from their stores.

In more sophisticated moves, Korvettes, Zayre, Woolco, Fedco and J.M. Fields, as early as 1972, used stand-alone terminals to verify credit cards. Among catalogers, Service Merchandise in 1976 began using computerized order terminals with a cathode ray tube (TV screen). The unit showed clerks the stock situation of each item, and suggested alternate goods for out-of-stock merechandise.

On the marketing front, discounters phased in do-it-yourself departments to counter the advent of home centers as a new, fast growing full-price specialty retailer. Merchandising of such leisure living sections as consumer electronics and sporting goods also was beefed up in response to changing lifestyles.

The two recessions in the '70s saw over a dozen discounters fail, including leading operators like Arlans, Mammoth Mart, Interstate (Topps and White Front), Parkview-GEM and Unishops. Meanwhile, Mangles closed its Shoppers Fair discount arm and Zodys filed Chapter 11 in 1975 and then emerged a year later.

All told, about 500 discount stores were shut, but about 1,000 units, including recycled stores, were opened by the surviving chains. These discounters included K mart, Zayre, Target, Bradlees and Wal-Mart, along with chains like Two Guys, Woolco, Korvettes, Gemco, J.M. Fields and Gibson, that would later fail or be phased out. Other retailers recycled about 100 units.

While discounters were concerned about the shakeout in 1975, the industry, unknowingly, would be forever changed by a simple deal made then.

That year Hugo Mann, a German retailer, bought FedMart, with the goal of turning it into a hypermarket, the hot European discount retail format. It never happened and FedMart finally folded in 1982.

But shortly after Mann bought FedMart, the discounter's long-time president, Sol Price, was ousted. Price went on to launch a discount store that would borrow some hypermarket merchandising techniques like warehouse fixtures. In 1976, he launched the Price Club—and became the father of the membership warehouse industry.

The discount industry's shakeout in the early '70s didn't seemed to slow the start up of new discounters. In 1972, variety store operator Wacker opened five discount stores, apparel retailer Robert Hall launched Robert Hall Village, and three food retailers, Harvest Markets' Big H, Harris-Teeter's The General Store and Centeno started superstores that combined food and general merchandise. The following year Rayless, another apparel retailer, opened R-Way.

Market for Specialty Discounters

Paradoxically, the shakeout among full-liners during the early '70s made the seemingly stable showroom industry a more attractive retailing field. It also opened market niches for a new kind of discounter—specialty discounters that focused on a specific product category.

The catalog industry's trade group, the National Association of Catalog Showroom Merchandisers was launched early in 1972, a year flooded with new showroom chains.

Almost all the showroom industry's current major chains were born prior to the '70s. However, Consumer's Distributing (U.S.) only goes back to 1972, when May Department Stores, parent of discounter Venture, and a successful Canadian cataloger, Consumers Distributing, launched the U.S. chain as a joint venture. May three years later bought out CD (Canada)'s interest, only to sell CD (U.S.) to the Canadian cataloger in 1978.

Like catalogers, many specialty discounters started in the late '60s as small one- and two-store operations. By the '70s, the specialists were starting to carve out growing market shares.

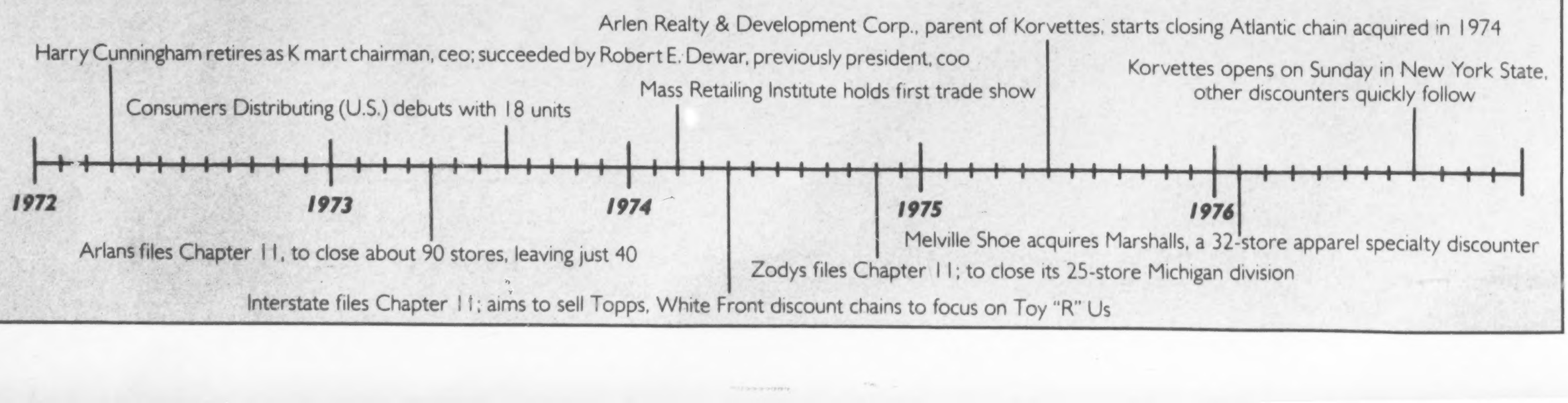
In the auto accesories area, for example, the top 10 chains in 1976 accounted for about $1 billion in sales, led by Western Auto with over $700 million. The top consumer electronics retailers accounted for over $500 million, with Lafayette, which was later acquired by Circuit City, the leader with almost $90 million in volume. The 10 leaders in the toys and the sporting goods area also accounted for about $500 million in each segment, with Toys "R" Us, at just under $200 million, heading the former, and Herman's, at about $100 million, topping the latter.

1972

	Sales (In Billions)	Stores
Industry Total*	$28.20	4,720
K mart	3.20	570
Gibson	1.70	595
Woolco	1.10	232
Zayre	0.89	230
Korvettes	0.70	52

*Full-line discount department store sales only

Source: Discount Store News


Harry Cunningham retires as K mart chairman, ceo; succeeded by Robert E. Dewar, previously president, coo
Consumers Distributing (U.S.) debuts with 18 units
Mass Retailing Institute holds first trade show
Arlen Realty & Development Corp., parent of Korvettes, starts closing Atlantic chain acquired in 1974
Korvettes opens on Sunday in New York State, other discounters quickly follow
1972
1973
1974
1975
1976
Arlans files Chapter 11, to close about 90 stores, leaving just 40
Interstate files Chapter 11; aims to sell Topps, White Front discount chains to focus on Toy "R" Us
Zodys files Chapter 11; to close its 25-store Michigan division
Melville Shoe acquires Marshalls, a 32-store apparel specialty discounter

25th ANNIVERSARY

1977 to 1981: Discounting Golden Age Sees Expansion, Diversification

In the late '70s, discounting entered its Golden Age. Full-line discounters were on a roll during this five-year period, gaining over 350 new stores per year. Individual chains strengthened their marketing through such moves as merchandising Levi's and designer jeans, gourmet cookware and name brand home sound systems.

They became the nation's dominant retailer of hard lines and were capturing a growing share of the apparel business.

But dark clouds could be seen through the golden rays. While there were a half dozen $1 billion-plus discounters, a large part of the segment's growth in the late '70s was due to the acquisition of weaker chains.

That period also saw the demise of a number of pioneering chains, including Korvettes, a venerated name that goes back to the late '40s and the industry's origins. It was phased out at the end of 1980, finally done in by its last owner, a French conglomerate that didn't know American retailing. Korvettes, however, had 'died' years before as it went through the hands of a number of companies, each of which had a different—often inconsistant—merchandising and marketing idea for the chain.

The catalog segment in the late '70s saw many of the founding chains grow and expand by opening new showrooms, culminating in Best Products becoming that industry's first $1 billion company in 1981.

But the industry wasn't a retailing utopia. Many new companies tried their hand at running a showroom during this period, but in the end almost all failed. The same fate awaited a number of undisciplined catalogers that couldn't stand up to the intensively competitive environment.

Specialty discounters, on the whole, fared better during this period. These retailers positioned themselves between high priced conventional department stores and full-line discounters. By focusing on growth categories like toys, consumer electronics and off-price apparel, the specialty discounters filled an overlooked marketing niche that allowed them to expand.

The late '70s saw one discount format blaze into the retailing skies: membership warehouses. Once Price Club's success became evident, entrepreneurial merchants cloned the concept and the membership warehouse industry entered a stage of rapid growth that carried into the later '80s.

One event played a crucial role in full-liners entering the Golden Age of the late '70s. That was W.T. Grant's bankruptcy in 1975 and the chain's subsequent closing. This made available to discounters a host of stores as well as former Grant customers whose demographics made them natural discount store shoppers.

FedMart president Heinz Gundlach (left), with executive vice presidents Bob Quayle and Dave Dolton (right) at opening of chain's hypermarket-style prototype in Houston in 1979. (DSN photo)

No other chain symbolized the industry as did K mart, which was until 1977 just the logo on discount stores run by S.S. Kresge, a variety store chain. For almost a decade, K mart was Kresge's dominant retailing business and that year it finally changed its corporate name to K mart Corp.

As the late '70s progressed, K mart passed the $10 billion sales mark in 1978, when its volume reached $11.2 billion. The list of billion-dollar discounters by that time also included Woolco, $2.6 billion; Gibson, $1.4 billion; and Zayre, $1.2 billion. In a few short years, four other chains joined the list: Wal-Mart, Target, Gemco and T.G. & Y., while Hills, Bradlees, Caldor, Fred Meyer and Meijer's were knocking on the door by 1981.

The industry's two-pronged growth in the late '70s saw chains fill in their core markets at the same time they extended tentacles into adjacent areas.

K mart and Woolco continued their national expansion while Zayre probed into Chicago and the Midwest. Regional chains, meanwhile, reached into adjoining markets: Target eyed a Sunbelt thrust from its upper Midwest base, Wal-Mart maintained its torrid expansion into the Southeast and upper Midwest from its South Central base and Bradlees moved south from the Northeast.

Store expansion alone didn't make the late '70s a Golden Age. In that time the successful discounters underwent some key changes. They upgraded their merchandising to keep pace with the greater expectations of their shoppers and improved efficiency by incorporating the latest retailing technology.

The merchandising changes centered on first expanding the apparel departments and then adding fashion goods and branded lines like Levi's and designer jeans to develop a fashion and value image. This set the stage for the next step, merchandising the latest fashion private label apparel. That move got underway in the early '80s and saw K mart, for example, first offer an exclusive Jonathan Logan line, to be followed by a variety of ladies' and men's brands in subsequent years.

Target, Caldor, Prangeway, Bradlees, Hills and Venture, among others, either were developing or had begun to sell private label apparel by 1981.

Zayre's approach was to have the entire store make a fashion statement and in 1977 it began using its Waltham, Mass., store as a laboratory for merchandising ideas and display techniques that were then fed into its other units. Zayre that year also recognized the potential of the emerging off-price apparel specialty field by launching T.J. Maxx, which eventually grew into a $1 billion chain in 1986. T.J. Maxx, along with Zayre's other specialty apparel businesses—Hit or Miss and Chadwick's of Boston—this year was spun off into a separate publicly held company, TJX Cos.

The groundwork for the computerized discount store of the future was laid in the late '70s through such milestone moves as Target in 1978 installing an automatic replenishment program that forecast the sales of individual items and recommended replenishment orders.

That year K mart began testing its K mart Information Network that used backroom computers to track sales by broad categories and transmit the information to headquarters. Later on, K mart tied KIN into a new computerized store replenishment system. In that program, clerks used hand-held equipment to read UPC bar code-marked shelf labels and then entered the reorder quantity.

Discounters in the late '70s took a wait-and-see attitude over whether they should mark merchandise using the supermarket-developed UPC marketing system or the department store supported OCR-A system.

Wal-Mart, however, in 1981 tested the UPC system using checkout slot scanners and wand readers. It then wasted little time in making a full commitment to bar code marked goods, within a few years requiring its suppliers to put UPC tags on as much merchandsise as possible.

The late '70s wasn't the best of times for all discounters. Poor merchandising and operations, along with such factors as bad sites, drove some chains into bankruptcy or made their sale to a stronger discounter a necessity.

In 1977, Robert Hall Village was phased out by its parent, a fate that awaited J.M. Fields, Mason's and Almart/Hunter two years later. Ames, meanwhile, bought Big N in 1979 as its first major expansion through acquisition, a move it would repeat with King's and Murphy's Marts.

Montgomery Ward, which had bought Jefferson Stores in 1973, became so enamoured with the discount concept that six years later it obtained almost two dozen closed discounters for Jefferson, along with planning to convert some Wards to that logo.

A year later, Ward obtained a dozen Philadelphia area Two Guys for Jefferson and said 115 Wards would

(Continued on page 82)

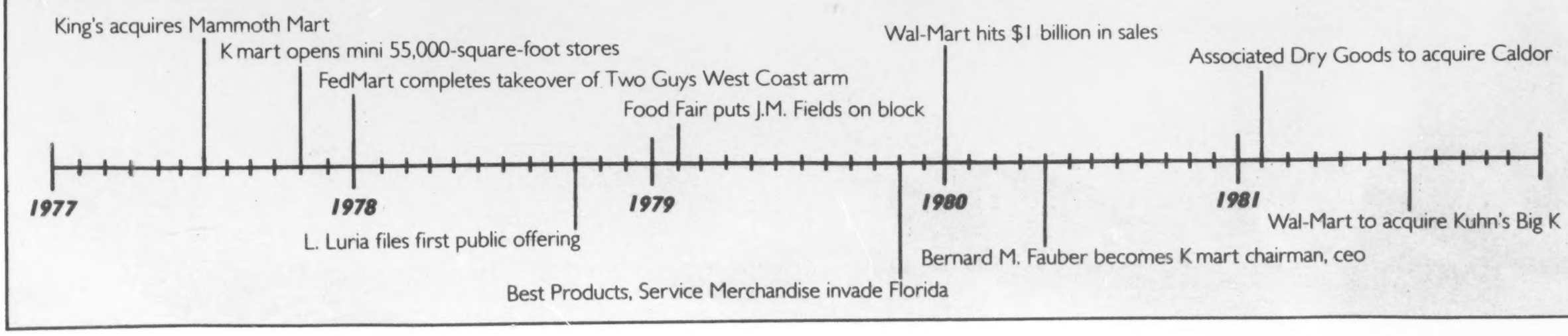
Herb Fisher (left), chairman, and Arlie Lazarus, president, Jamesway, on Wall Street in December 1981 after presentation to security analysts interested in the company's stock.

1977

	Sales (In Billions)	Stores
Industry Total*	$47.00	6,538
K mart	9.27	1,366
Woolco	2.44	367
Gibson	1.50	656
Zayre	1.09	255
Two Guys	0.83	82

*Full-line discount department store sales only

Source: Discount Store News


King's acquires Mammoth Mart
K mart opens mini 55,000-square-foot stores
FedMart completes takeover of Two Guys West Coast arm
Food Fair puts J.M. Fields on block
Wal-Mart hits $1 billion in sales
Associated Dry Goods to acquire Caldor
1977
1978
1979
1980
1981
L. Luria files first public offering
Best Products, Service Merchandise invade Florida
Bernard M. Fauber becomes K mart chairman, ceo
Wal-Mart to acquire Kuhn's Big K

1982 to 1987: Diversification, Technology Drive Discounting in the '80s

Diversification has been the hallmark of the discount industry in the '80s.

The industry's divergence into different discount segments was driven by a number of separate but interrelated developments:

- The nation's growth in population and wealth resulted in a marked increase in the number of middle and upper income consumers. This spurred major lifestyle changes as consumers' buying habits switched from basics to fashion apparel and home goods, as well as the new products spawned by the technological revolution in electronics.
- Conventional department stores, targeting the expanding upscale customer market, relinquished the selling of hard goods to discounters and, instead, focused their merchandising on fashion goods in the apparel and home products areas.
- The contraction among full-line discounters and catalog showrooms, triggered by the recession in the late '70s, continued without letup, often striking down chains that go back to the early days of each discounting segment.
- Aided by the fallout among full-liners and catalogers, specialty discounters captured a growing share of the mass retailing market. These category-targeted merchants carved out bigger market shares by the traditional retailer routes of either expanding their operation or acquiring smaller chains.
- Technology sparked the development and growth of non-store retailers, including the launching of new electronic discounters who use cable TV, computers and/or kiosks to directly market goods to consumers.

While the roots of the discount industry's contraction and divergence go back to the late '70s, the full impact became evident by 1982 and peaked in 1986.

The industry's fluctuation saw the full-line segment contract into a core of about 50 major discounters by 1987, about one-third the number at the start of the decade. It also witnessed large jumps in the sales of the surviving discounters along with major shifts in the lineup of the industry's leaders as they acquired weaker competitors.

In 1982, K mart, Wal-Mart and Target were the leaders with sales of $16.5 billion, $2.5 billion and $2.1 billion, respectively. The trio remained the powerhouse discounters right through the '80s, with sales last year of $22.1 billion, $10.2 billion and $4.4 billion, respectively.

Sales, however, are only one indication of the leadership position staked out by these three discounters. Other signs include their extensive use of the latest retailing technology like point-of-sale scanning of UPC-marked merchandise and satellite communication networks, along with thrusts into new retailing ventures like Wal-Mart's launching of Sam's membership warehouses in 1983 and K mart's 1984 acquisition of the Builders Square home centers.

Offering the Latest Fashions

Just as important, the sheer size of these chains has enabled them to pick off top retail sites and make manufacturers highly responsive to their marketing demands. Not to be overlooked is the fact that the trio has also traded up their merchandise to keep pace with the changing lifestyles of their customers, including offering the latest fashions in apparel and home furnishings.

Where once the list of leading discounters was almost exclusively full-liners, now the top 100 chains include the Price Club and eight other membership warehouses, Service Merchandise and four other catalog showrooms, Consolidated Stores and another closeouter, and 44 specialty discounters. Leading the specialty segment are Toys "R" Us in the toy field, Marshalls in apparel, Circuit City in consumer electronics, Western Auto in auto accessories and Herman's in sporting goods.

Shrinkage in Industry

Missing from the 1986 lineup of top full-liners were such 1982 powers as Woolco, Gemco and T.G. & Y., the next three sales leaders, along with eight long established chains: Jefferson/Ward, Zodys, Howard Bros., Murphy's Mart, King's, Grand Central, Gaylords and Magic Mart.

The shrinkage among full-line discounters hit its peak in 1982, when Woolco, FedMart, Twin Fair and May's Family Center closed, while J.W. May's, Maloney's, Zodys, King's and Howard Bros. filed Chapter 11, with the latter three eventually folding. These failures dumped close to 300 stores on a glutted market, so that units went to a variety of retailers and other users. Target was a big gainer, taking over 33 FedMarts, including 28 in Southern California to mark its entry into that market area.

Operational troubles also became evident that year at other major discounters like Cook United, Gemco/Memco and T.G. & Y. The demise of these discounters, however, was spread out over a number of years and actually helped boost the growth of surviving discounters, which took over stores, and in some cases, troubled chains, as a fast, low cost way to expand.

In 1982, for example, Memco's was shuttered and its stores, all in the Baltimore/Washington area, were taken over by Bradlees; within four years troubled Gemco on the West Coast would be closed by its supermarket parent, Lucky Stores, as that company sharply scaled back its operations to fight off an unfriendly takeover. Lucky also sold off its other non-food operations: Checker Auto specialty stores, White Front convenience discount stores and Hancock Fabrics.

Target took over 50 Gemcos, opening about two dozen in Southern California to become the dominant discounter in that area. Another dozen are to open in Northern California later this year to mark Target's entry into that market.

Ames, meanwhile, acquired bankrupt King's and its 42 stores in 1983 and three years later bought Murphy's Mart, another discounter facing an unfriendly takeover. The latter move almost doubled Ames' sales to $1.5 billion in 1986, along with putting the discounter into the variety store business with over 100 G.C. Murphy units that it has retained.

Two billion dollar-plus T.G. & Y. was phased out in 1986 as a discounter when the company was acquired by the McCrory variety store conglomerate. Maloney was acquired in 1985 by Heck's shortly before that discounter ran into problems, eventually filing Chapter 11 early in 1987. Cook, meanwhile, went into Chapter 11 for the second time early this year.

Deals Among Catalogers

On the cataloger side, a similar story was being played out. The blockbuster deal in 1982 was Best Products, the leading cataloger, acquiring Modern Merchandising, the No. 3 company which ran six different chains along with Creative Merchandising, the leading coordinator. Best's move came shortly after it took over troubled cataloger Basco.

Not to be outdone that year, Service Merchandise, the second largest showroom operator, acquired two Kessler showrooms, along with Sam Solomon, a top 10 chain which had technically just come out of Chapter 11. Service pulled off a blockbuster deal in 1985 when it took over H.J. Wilson, the No. 3 cataloger.

Sutton Place, started by the now defunct discounter Two Guys, closed in 1982. Two years later, Towers, the last cataloger founded by a discounter, was sold to Service Merchandise, paving the way for the showroom's parent Gaylords to be acquired six months later by discounter Zayre.

Best's 1982 acquisition of Modern Merchandising eventually resulted in a major catalog industry realignment. To concentrate on its core showroom business, Best sold Creative Merchandising the following year to conglomerate Carlson Cos., parent of cataloger Ardans. Carlson's commitment to the showroom industry, however, was questioned by all the Creative Merchandising members, except Ardans, and these 14 catalogers then left the group, joining Paul Schultz Catalogs. Carlson, which had been scaling down Ardans during the early '80s, finally threw in the towel in 1986 and shut the remaining units.

The showroom industry's contraction in the '80s saw such weak major catalogers like Century House and Broadman's just this year fold while over 50 mom-and-pop operations and small chains either closed or converted to jewelry stores. This trend also affected the coordinator end of the business, forcing the closing of smaller groups like Federated Merchandising and driving larger coordinators to merge: Charter Catalog and George Associates forming Associated Charter, for example, while the larger chains within Mutual Merchandising joined MAI.

Specialty Discounters Boom

While the full-line and showroom segments of the discount industry were undergoing these extensive changes, the specialty discount portion was booming. The reason: These specialists offered consumers a broader selection in a focused category than did full-line discounters or catalogers, with the merchandise competitively priced.

The dozens of companies that compose the specialty discounter field have varied histories, with some even extending back to the discount industry's early days when they were leased department operators like Wards, the predecessor of Circuit City, or Toys "R" Us, which was acquired by discounter Interstate Stores and survived that company's bankruptcy.

Membership Warehouses Grow

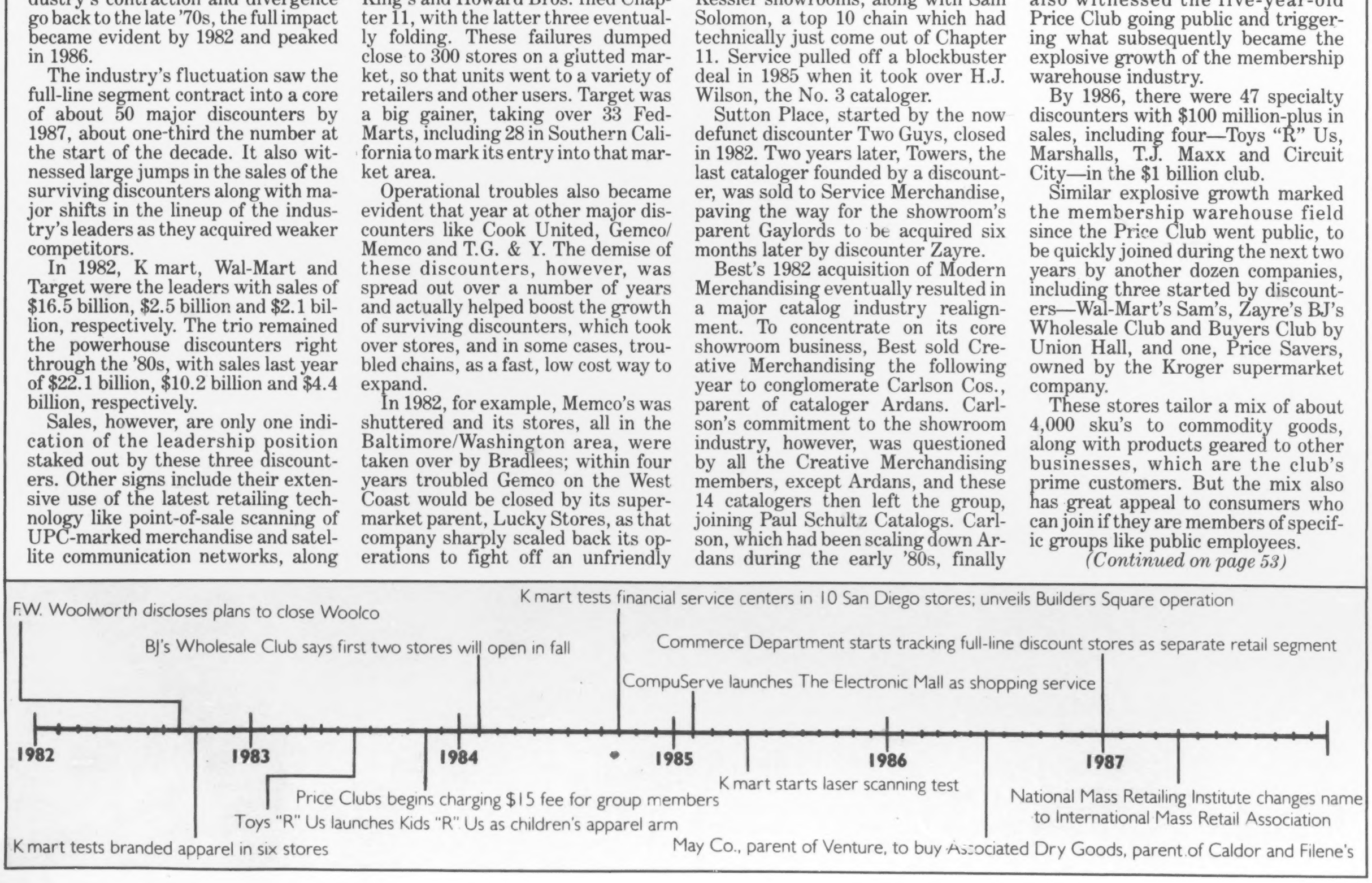
Specialty discounters came of age in the early '80s and by 1982 there were a dozen and a half chains with $100 million-plus in sales. That year also witnessed the five-year-old Price Club going public and triggering what subsequently became the explosive growth of the membership warehouse industry.

By 1986, there were 47 specialty discounters with $100 million-plus in sales, including four—Toys "R" Us, Marshalls, T.J. Maxx and Circuit City—in the $1 billion club.

Similar explosive growth marked the membership warehouse field since the Price Club went public, to be quickly joined during the next two years by another dozen companies, including three started by discounters—Wal-Mart's Sam's, Zayre's BJ's Wholesale Club and Buyers Club by Union Hall, and one, Price Savers, owned by the Kroger supermarket company.

These stores tailor a mix of about 4,000 sku's to commodity goods, along with products geared to other businesses, which are the club's prime customers. But the mix also has great appeal to consumers who can join if they are members of specific groups like public employees.

(Continued on page 53)


F.W. Woolworth discloses plans to close Woolco
BJ's Wholesale Club says first two stores will open in fall
K mart tests financial service centers in 10 San Diego stores; unveils Builders Square operation
Commerce Department starts tracking full-line discount stores as separate retail segment
CompuServe launches The Electronic Mall as shopping service
1982
1983
1984
1985
1986
1987
K mart tests branded apparel in six stores
Toys "R" Us launches Kids "R" Us as children's apparel arm
Price Clubs begins charging $15 fee for group members
K mart starts laser scanning test
May Co., parent of Venture, to buy Associated Dry Goods, parent of Caldor and Filene's
National Mass Retailing Institute changes name to International Mass Retail Association

1982 to 1987: Diversification, Technology Drive Discounting in the '80s

(Continued from page 47)

Price Club's $100 million business in 1982 in four years quickly grew to an $11 billion membership warehouse industry, with Price Club, at $2.6 billion and Sam's, at $1.7 billion, the leaders, and another half dozen with volumes ranging from $747 million down to $157 million. Besides Price Club, Costco, PACE, the Wholesale Club and the Warehouse Club have gone public within the past two years, while Super Savers was in the process of doing so earlier this year before being acquired by Wal-Mart.

Warehouses Lead to Hypermarkets

Consumers interest in shopping in membership warehouses has affirmed the idea of some retailers that a similar mass display format common in Europe—hypermarkets—could be successful on the American retail scene. Discounters Fred Meyer, Meijer and Lloyds already use common checkouts for food and general merchandise in the same manner as do hypermarkets.

America saw its first true hypermarket when Biggs was launched in 1984 in Cincinnati by a group of companies that included Euromarche, a leading French hypermarket chain, and Super Value Stores, the supermarket parent of discounter ShopKo. Growth pains resulted in Biggs remaining static with one unit since then, but it's due to open additional units starting in 1988.

By then, Biggs should have plenty of company, as at least two other hypermarkets are due to be opened. Carrefour, the founder of the concept and leading hypermarket operator, plans to open its first American store later this year in the Philadelphia area to lead off a projected chain in the Northeast.

Discounter Wal-Mart, meanwhile, has formed Hypermart USA, in a joint venture with supermarketer Cullum Cos., and plans to open its first unit later this year. On its own, Wal-Mart plans to open Wal-Mart Super Centers which will follow the core hypermarket formula of a combined food and general merchandise unit. The discounter will use these stores as its growth vehicle in major metro markets, retaining the tradition Wal-Mart format for suburban and rural areas.

The most radical retailing diversification has been the development and growth of electronic marketers during the past two years. While cataloger Consumers Distributing, for example, was part of a computer information and marketing test in Canada in 1982, electronic retailing also started to make a impact during the past two years.

Teleshopping is Key Format

The key format is teleshopping—buying goods at home from programs aired on cable TV channels and broadcast TV stations. This type of retailing has been probed for a number of years, but the first successful operator was Home Shopping Network, which started out as a local St. Petersburg cable show in 1982, went national in 1985, and became a public company a year later. HSN this year branched out into broadcast TV by buying about a dozen stations as cable TV operators began to pick up teleshopping shows from other companies.

HSN's success has attracted a host of marketing clones, with four main competitors. Cable Value Network was started in 1986 as a joint venture between closeouters C.O.M.B. and Tele-Communication Inc., the largest cable TV operator, and was subsequently joined by 17 other cable companies. CVN grew to dominate C.O.M.B. and the closeouter this month swallowed up its teleshopping subsidiary by giving the cable firms warrants to buy stock in a revamped C.O.M.B., now called CVN Cos.

Traditional retailers have put their hands into electronic retailing, particularly video merchandising.

A K mart division, the Ultra Buying Network, this year began supplying all the goods except for consumer electronics to the Consumer Discount Network, a teleshopping show launched last year by Entertaining Marketing, a CE and computer closeouter.

Sears Roebuck is supplying some of its merchandise to QVC, another teleshopper started last year, while cataloger L. Luria is sourcing goods for Bargain Hunter, a combined teleshopping and game show for broadcast stations that began airing on the ABC-TV network two months ago. Dayton Hudson, meanwhile, ran a 13-week test merchandising goods from its department store arm and then called off the show on broadcast TV stations when the results failed to meet its expectations.

J.C. Penney is the retailer most heavily committed to electronic retailing. It is financing Shop TV, which is due to start airing next month, along with handling fulfillment and distribution for the show. The conventional department store also plans to launch an interactive cable shopping service called Telaction, this fall. Consumers will be able to use their phone to first access a host of retailers and service suppliers, including Penney, Marshall Field, Nash Finch supermarkets and American Express, and then order goods. A competing interactive service is due to be launched next year by General Telephone and Electronics, whose partner at one time was Penney. Penney later joined up with a Canadian firm, Cableshare, to develop the Telaction technology.

Next year will also see the startup of Trintex, an interactive computer shopping and information service that is a joint venture between IBM and Sears. Trintex employs a text and graphics technology called teletex, which had been used by failed pioneering computer shopping and information services like Viewtron and Gateway, along with more targeted computer services like CompuServe whose menu includes the Electronic Mall as its retailing offering.

1982

	Sales (In Billions)	Stores
Industry Total*	$72.60	8,282
K mart	18.44	2,125
Wal-Mart	3.50	555
Target	2.40	167
Woolco	2.26	329
Gemco	1.92	92

*Full-line discount department store sales only

Source: Discount Store News

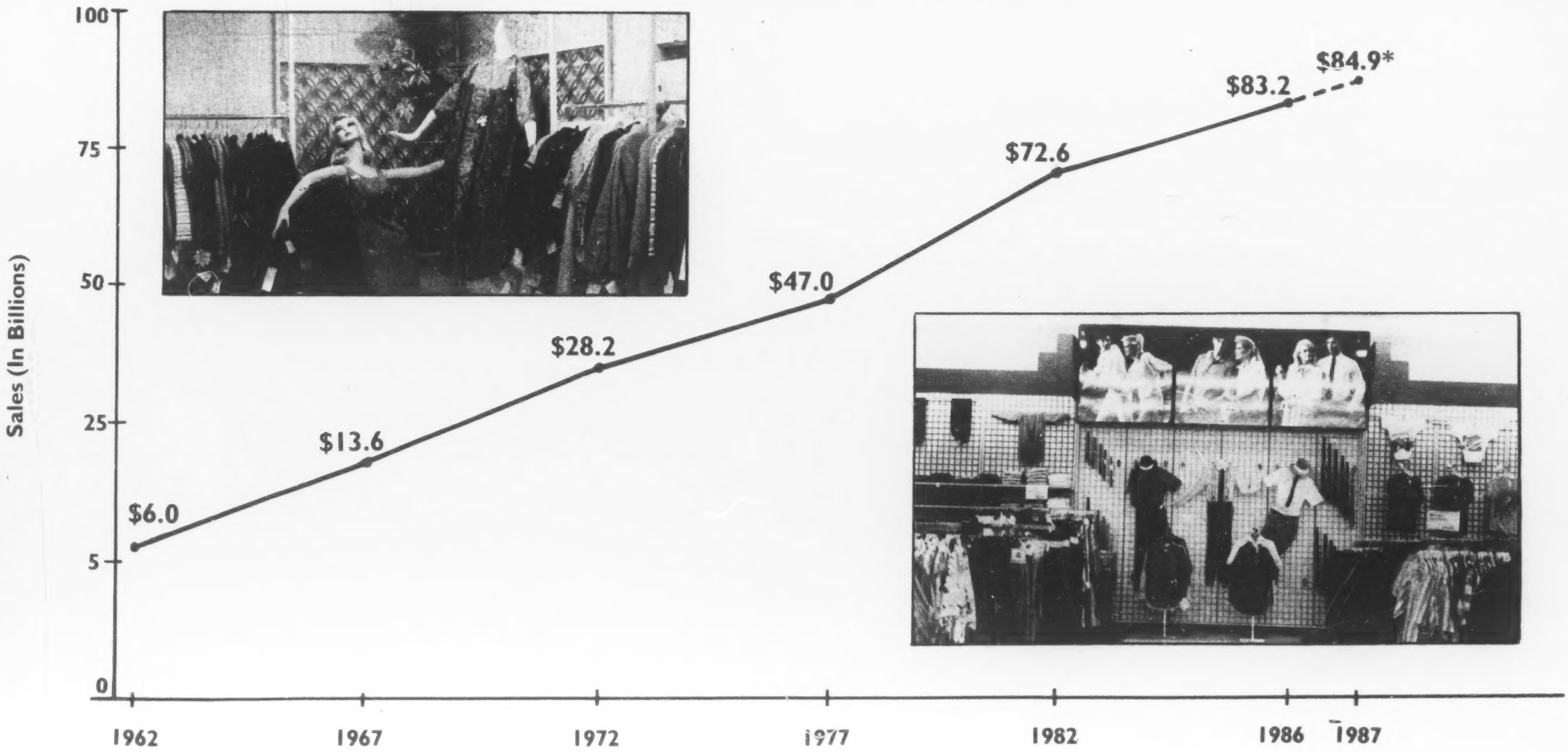
1986

	Sales (In Billions)	Stores
Industry Total*	$83.20	8,272
K mart	22.11	2,204
Wal-Mart	10.20	980
Target	4.36	246
Zayre	3.05	362
Bradlees	1.90	162

*Full-line discount department store sales only

Source: Discount Store News

Discount Department Store Sales: 25 Years of Growth



*Projection

Source: Discount Store News

Increased Floor Space Needed for Men's Wear, Chains Report

Nationwide DSN Report

A more sophisticated and individualistic attitude of today's male consumer toward casual dressing has dramatically impacted men's wear departments at full-line discount and off-price apparel stores.

From increased open-to-buys for younger, fashionable and relaxed sportswear categories to the way fashion products are being merchandised at store level, young men's and men's wear executives are reacting in increasing numbers to the new lifestyle attitudes of their male customer.

A confidential poll conducted exclusively for *Discount Store News* by Jerard Less Inc., a New York-based retail apparel consultant, revealed that 67 percent of all respondents rated as "very important" or "important" such customer attitudes defined as "a . . . relaxed, casual attitude towards dress" that expresses "his [the customer's] individuality," along with the attitude that "no single style approach determines the way he dresses."

The poll of vice presidents, general merchandise managers, divisional merchandise managers and buyers of men's wear at 27 discounters and off-pricers, representing close to 4,500 individual units across the country, also found that an overwhelming majority of these executives felt an increase in square footage was necessary as well as overdue. They said that they could easily maximize any increase in floor space in their respective departments.

A majority of the merchandisers surveyed said that these new attitudes of a growing customer base are having an influence on sales at their stores. Hence, they are buying with that in mind. As one executive put it, "The definition of men's is no longer categorized by age or gender. [It's an] open market."

The nationwide survey also uncovered a strong negative reaction to the Men's Apparel Guild in California (MAGIC) show's move to Las Vegas in fall 1989. As many as 85 percent of the respondents said they were against the move, citing two major reasons: There are considerably fewer retail stores to view in Las Vegas, and Las Vegas is not conducive to a business environment, which will make the trip more expensive.

However, when asked whether they were planning to attend MAGIC in Las Vegas two years from now, 76 percent said they would. That compares to the 82 percent who said they will be at this month's show. The 6 percent who said they plan to forgo MAGIC in Las Vegas are buyers from the larger chains (50 or more units), which indicates that MAGIC isn't as important for them as it is for the smaller chains (under 50 units).

Overall, the survey showed that many discount store and off-price men's wear merchandisers feel they have to be as tuned-in to their more trend-conscious customers as their department store counterparts.

Specifically, 68 percent of the respondents said that spring and fall 1988 open-to-buy will increase for categories of relaxed, casual sportswear. When asked what percentage of their total mix in men's and/or young men's departments is "fashion" merchandise, the responses averaged out to 41 percent, with smaller chain buyers reporting a predictably higher 45 percent, while larger chain buyers identified 37 percent of their men's apparel mix as "fashion" merchandise.

There is even a greater discrepancy between smaller chains and larger chains when it comes to breaking out a separate young men's department from men's—10 retailers from the smaller chain group vs. just five from the larger chain group separate young men's from men's, the survey found.

When it comes to the competition, K mart—with 11 acknowledgments—was cited most when merchandisers were asked who they view as their primary competition in the men's wear market.

The No. 2 men's wear competitor, with six mentions, was Wal-Mart. The balance of responses was equally distributed among Target, Bradlees, J.C. Penney, Mervyn's and Hills, among others. Also of note is that three buyers from the larger chain group cited department stores as being their primary competition.

Merchandise display and strategies were diverse in the men's departments of discounters and off-pricers. Individual verbatim responses included, "We simply display by styles," "First by style, then color and size," "By classification and color," and "Basics by size, fashion by style," among others.

In terms of selling space, while merchandisers said they thought more square footage was needed, 74 percent of the respondents said no changes in space are planned for the next 12 months.

However, six stores from the smaller chain group (representing 46 percent of the respondents from that group) said that floor space increased over the past 12 months by 10 percent to 15 percent. The classifications getting more emphasis were: big and tall, men's tops, young men's (bridge) and young men's.

The poll also revealed that merchandisers at the smaller and larger chains rated brand names "very important" (43 percent) or "important" (27 percent) for their departments. Twenty-one percent rated brands "somewhat important," and the remaining 9 percent said brands were "not important."

As many as six specific important and/or sought-after brand names were mentioned: McGregor, Lee, Levi, Arrow, Campus and Manhattan.

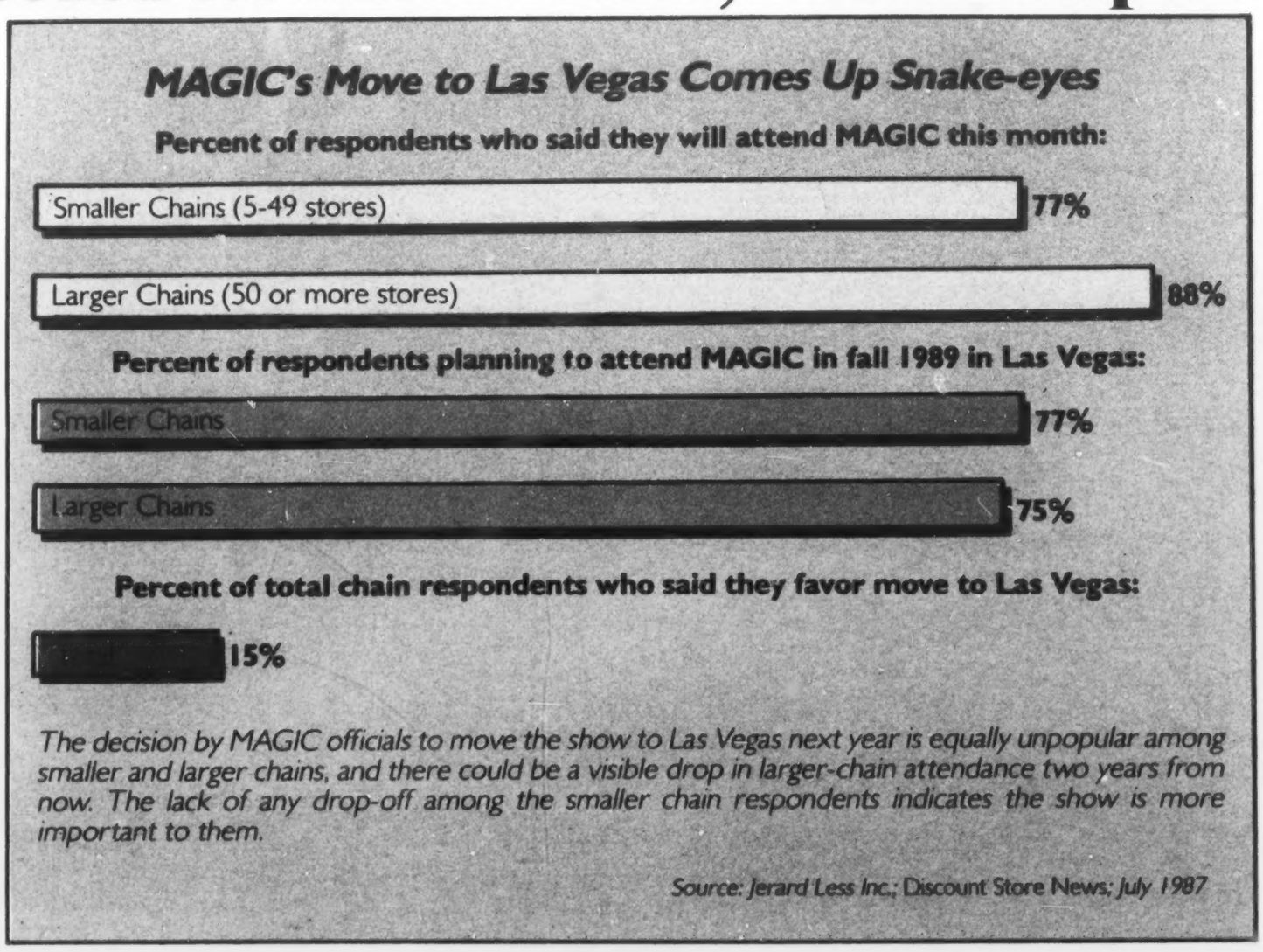
In addition, 77 percent of all respondents said that their customers asked for particular brand names in their departments. These merchandisers agreed that brands are a major factor in creating customer interest and are an attraction to other merchandise.

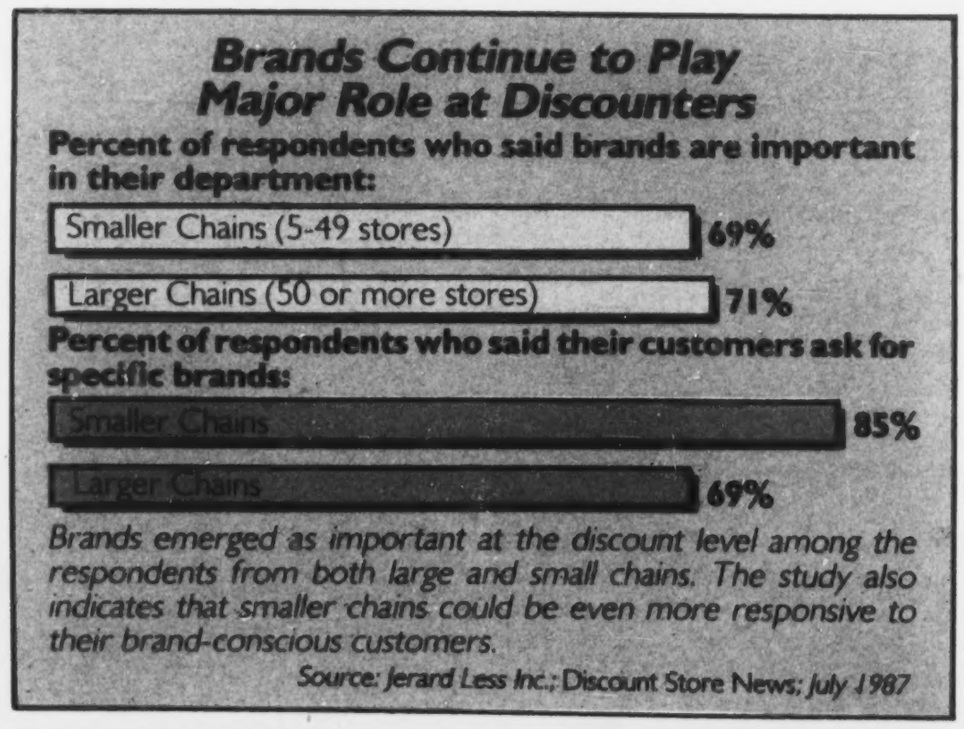
It was also found that men's wear merchandisers at the discount level are following quickly in the footsteps of the specialty and department store in their emphasis on the current hot "prewashed" look, oversized and full-cut goods and tastier, dressier looks.

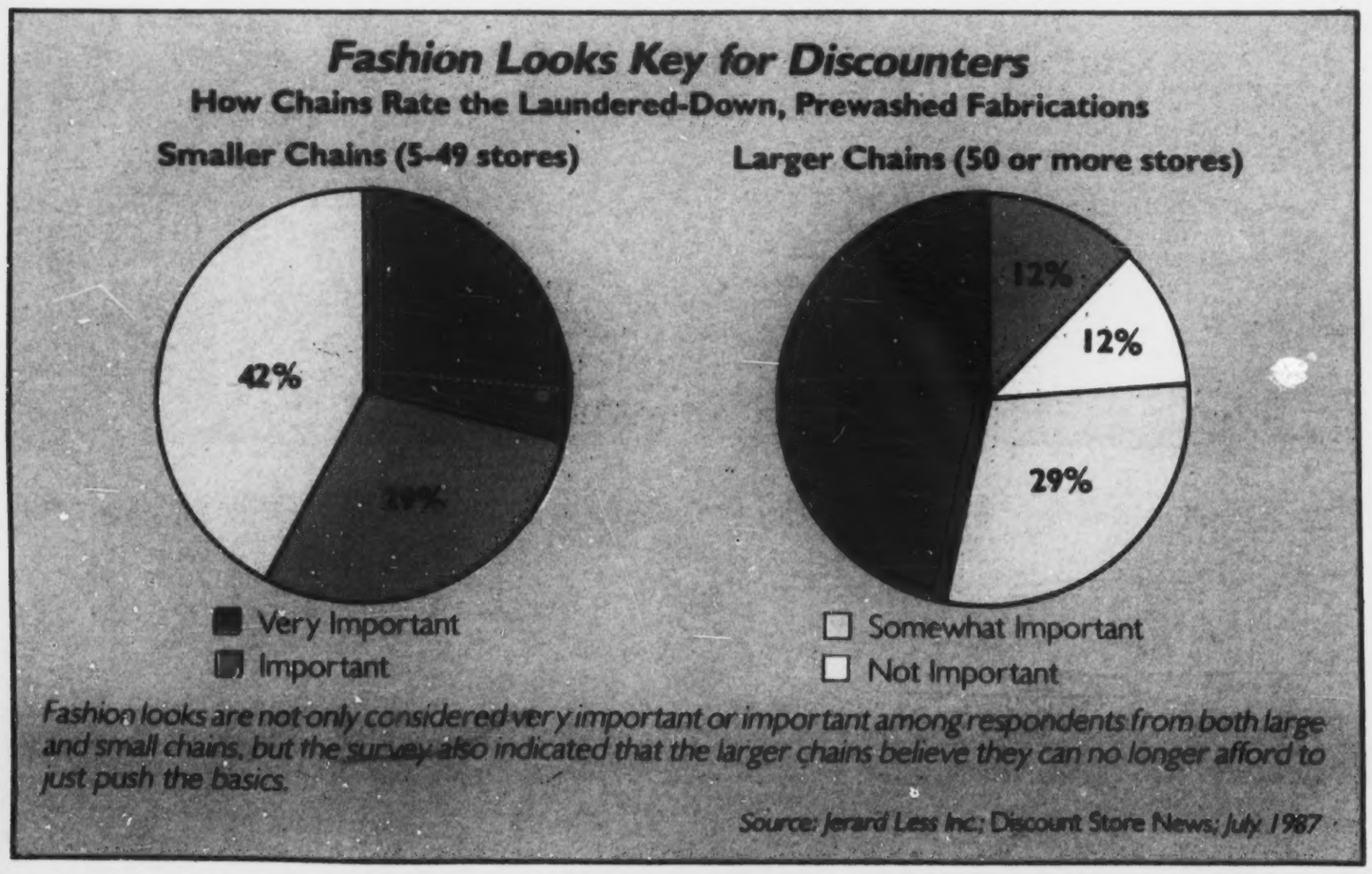
Particularly interesting is that more of the larger chain group respondents rated laundered-down, prewashed fabrications as "very important" (47 percent) than did their smaller chain counterparts (29 percent). This indicates that the larger chains, who in the past were usually less responsive in terms of fashion looks compared to smaller chains, are no longer standing on the fashion sidelines.

Among other findings of the survey:

- 64 percent of all respondents said they have increased their open-to-buy for spring 1988 on oversized, full-cut garments;
- 62 percent said the trend of more dress looks will be reflected in their fall 1987 and spring 1988 assortments;
- Dressier looks—defined for the survey as tastier piece goods and/or non-traditional silhouettes—are gaining and remain strong through the spring.


MAGIC's Move to Las Vegas Comes Up Snake-eyes
Percent of respondents who said they will attend MAGIC this month:
Smaller Chains (5-49 stores)
77%
Larger Chains (50 or more stores)
88%
Percent of respondents planning to attend MAGIC in fall 1989 in Las Vegas:
Smaller Chains
77%
Larger Chains
75%
Percent of total chain respondents who said they favor move to Las Vegas:
15%
The decision by MAGIC officials to move the show to Las Vegas next year is equally unpopular among smaller and larger chains, and there could be a visible drop in larger-chain attendance two years from now. The lack of any drop-off among the smaller chain respondents indicates the show is more important to them.
Source: Jerard Less Inc.; Discount Store News; July 1987


Brands Continue to Play Major Role at Discounters
Percent of respondents who said brands are important in their department:
Smaller Chains (5-49 stores)
69%
Larger Chains (50 or more stores)
71%
Percent of respondents who said their customers ask for specific brands:
Smaller Chains
85%
Larger Chains
69%
Brands emerged as important at the discount level among the respondents from both large and small chains. The study also indicates that smaller chains could be even more responsive to their brand-conscious customers.
Source: Jerard Less Inc.; Discount Store News; July 1987


Fashion Looks Key for Discounters
How Chains Rate the Laundered-Down, Prewashed Fabrications
Smaller Chains (5-49 stores)
Larger Chains (50 or more stores)
42%
29%
12%
12%
29%
Very Important
Important
Somewhat Important
Not Important
Fashion looks are not only considered very important or important among respondents from both large and small chains, but the survey also indicated that the larger chains believe they can no longer afford to just push the basics.
Source: Jerard Less Inc.; Discount Store News; July 1987

Methodology for Study

NEW YORK — This Jerard Less/*Discount Store News* survey is based on telephone interviews with men's and young men's wear vice presidents, dmms, gmms and buyers at 27 general merchandise discount and off-price apparel chains nationwide. The phone calls, placed July 6 to 24, 1987, were preceded by letters and written questionnaires sent out the previous month. Respondents were promised complete anonymity.

Home Office Category Leads Growth in Stationery Depts.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	WRITING INSTRUMENTS			
1	Faber 10-pack Pencils Pegged, 13649	62,969	0.59	37,164
2	Crayola Markers Broad, 770B	9,588	2.59	24,833
3	Carter Marks-A-Lot Black, 1788B	35,932	0.69	24,793
4	Papermate 10-Pack Pens Med Blue, 98134	14,262	1.69	24,103
5	Papermate 10-Pack Pens Med Black, 93334	14,192	1.69	23,984
6	Bic 10-Pack Pens Blue, MS101	12,233	1.69	20,674
7	Crayola Soft Light Fine, 7718	7,265	2.59	18,816
8	Bic 10-Pack Pens Black, MS101	11,599	1.69	19,602
9	Pentel Erasable Marker Broad, 66012	11,851	1.49	17,658
10	Bic Round Stick Blue 10-Pack, GSMP	10,994	1.49	16,381
11	Papermate Power Pt. Profile Slim, 14164	5,129	3.19	16,362
12	Papermate Power Pt. Profile Reg., 142	4,773	3.19	15,226
13	Crayola Soft Light Broad, 7716	5,636	2.59	14,597
14	Shaeffer Cartridge Pen Blue, 14900	4,852	2.69	13,052
15	Papermate Contour Grip Pen, 36004	4,598	2.69	12,369

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	FLAT SCHOOL			
1	Filler Paper Wide 200-ct., 10200	91,228	0.79	72,070
2	Mead Super Shades Binder, 29612	5,688	5.99	34,071
3	Mead Trap. Keeper Binder, 29096	5,457	5.99	32,687
4	Mead Trap. Keeper Design Binder, 29100	4,678	5.99	28,021
5	Filler Paper Narrow 200-ct.	28,661	0.79	22,642
6	Mead 5 Star 3-Subject, 150-ct., 11x8	5,565	3.39	18,865
7	Mead Glare Theme Col. 3-Sub., 150-ct.	6,190	2.97	18,384
8	Mead 5 Star Theme 2-Sub., 100-ct.	7,934	1.99	15,789
9	Mead Color Track 70-ct. Theme Book	28,700	0.49	14,063
10	Mead 5 Star 5-Subject, 200-ct., 11x8	3,353	3.97	13,311
11	Majestic 1½-in. Canvas Binder Cl, 20177	4,105	3.19	13,095
12	Mead 5 Star Theme College, 9x6, 100-ct.	8,427	1.53	12,893
13	Peanut's ABC Tablet, 1804	14,842	0.79	12,021
14	Mead Super Shades Portfolio, 33114	14,842	0,79	11,725
15	Mead Theme Varsity,100-ct.	8,399	1.19	9,995

Continued on page 139

When a new product comes from Ambassador, you won't get caught with your profits down.

In the past ten months, we have introduced two entire new card lines—and a startling new gift-wrap display. That's *three* smash hits. If you're thinking it wasn't all just luck, you're right. It took a lot of hard work—and *consumer research*.

Because new products can flop as well as fly, we do more research than ever before to make sure our new entries will be winners. And we do it on a continuous basis.

But then—we're a Hallmark Company. So we're always working to make our research department the very best in the business.

And if you think we called it right with our new card lines—"My Thoughts Exactly" and "In Other Words," and our new Color Plan Plus Display—just wait until you see all the exciting new products that we've got in the works right now.

If you're a current customer, you already know our track record. If you're not, find out what you're missing.

Phone your Ambassador representative—or call us collect at 816-274-4562. Ask for Pat Cullinan, V.P., New Business.

We think you'll agree, we really do our homework.

Because in the greeting card business, he who trusts to luck is really *asking* to lose his pants.

Ambassador

Working harder to make it easier for you.

A Hallmark Company

By Charles Bowlus
Executive vp, sales
Boston Distributors

The home office category continued to lead the stationery department's growth in the first half of 1987 with file boxes and desk accessories edging out flat office products in terms of both total dollar sales and percentage increases.

Colors remained the dominant merchandising theme of the department with peach, mauve and bright colors enhancing established product lines.

Brush's Sentry fire retardant security chest at a $23.69 price point led the product movement audit of file box and desk accessories, but the Rubbermaid line has made the difference in sales thus far in 1987.

Rubbermaid Leads Desktop

Rubbermaid's desktop system took the No. 2 spot, and the box office in gray and slate blue captured No. 3 and No. 4, respectively. In all, Rubbermaid landed seven of the top 15 spots. The manufacturer's recent launch of the line in mauve will help it to continue this high-volume trend through the remainder of the year.

Rubbermaid's gains on the PMA have come primarily at the expense of Esselte, which did manage to place its Keep-It file seventh and File-It, in brown and yellow, in the No. 10 and No. 11 spots.

A peach color launch and the introduction of Deco-Ends and Deco-Rack Junior will be promoted by Esselte during the second half, putting the manufacturer high on the charts.

In the flat office category, the primary growth has come from Mead's Cambridge and Matrix lines. The professional trapper notebook ranked No. 6 on the PMA, followed by the smaller personal size at No. 7 and the portfolio with handles at No. 8.

Heavy housekeeping and signing are needed for the success of the Matrix line, sales of which vary widely depending on the market area. Store locations where small business offices are scarce will find movement of Matrix products to be stagnant.

The writing instrument category was again led by Faber's 10-pack pencil at a price point of 49 cents; back-to-school prices should fall to three for $1.

The launch of washable markers and colored pencils by Crayola should have immediate consumer acceptance and boost the vendor's market share during the back-to-school season. Crayola captured the No. 2 spot in writing instruments during the first half of this year with its broad-tip sku. The new Soft Light Marker also scored well early this year; the fine tip tallied

(Continued on page 139)

Home Office Category Leads Growth in Stationery Depts.

(Continued from page 137)
the sixth-highest volume in the category, and the broad tip landed the No. 13 spot.

Papermate edged out Bic for top commodity pen honors; the blue 10-pack was fourth on the chart, and the black ink pen was fifth. Papermate's high-end entries have done well in the first half of 1987, with power points taking No. 8 and No. 10 and contour grip placing No. 14. Carter again led the individual marker segment with Marks-A-Lot black taking the No. 2 position.

Despite manufacturer price increases, back-to-school pricing will be held pretty much to last year's level due to heavy market competition and consumer expectations. The flat school PMA was led by 200-count filler paper in the wide margin at a non-seasonal retail of 79 cents. Back-to-school prices are expected to range from four for $1 to two for $1.

Mead's new Super Shade binder jumped all the way to the No. 2 spot, followed by Trapper Keeper and the Trapper Keeper designer series. Super Shade's success had prompted Mead to expand the line to include filler paper, themes and memos.

The good news in flat school is the continued strength of the higher-ticket and higher-profit 5 Star and Clare Care lines from Mead. Basic commodity items did not fare well on this PMA as 70-count theme fell to No. 9, and 100-count Varsity theme dropped to No. 15. As the back-to-school season approaches, the commodities will, of course, come back into dominance.

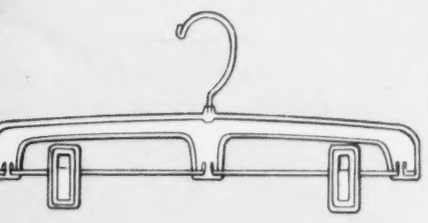
Discounters devoting space to the home office category will capitalize upon the great potential of this department. Boston Distributors recommends sections between 72 feet and 120 feet, depending on store size and volume.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	FILES, BOXES & DESK ACCESSORIES			
1	Brush Sentry Fire Chest, 1100	4,949	23.69	117,242
2	Rubbermaid Desk Top System Smoke	3,926	10.69	41,969
3	Rubbermaid Box Office Gray	3,050	12.89	39,315
4	Rubbermaid Box Office Slate	2,867	12.89	36,956
5	Brush Fire Safe Large	285	99.95	28,486
6	Tuff File 1 Brown	1,228	22.69	27,863
7	Oxford Keep-It File	1,201	21.89	26,290
8	Rubbermaid Junior File Gray	3,337	7.49	24,994
9	Staco Action Organizer	4,801	5.19	24,917
10	Esselte File-It Almond	1,726	13.88	23,957
11	Staco Bill Arranger	4,614	4.29	19,794
12	Rubbermaid Utility File Gray	3,420	5.78	19,768
13	Esselte File-It Brown	1,366	13.88	18,960
14	Rubbermaid Box Office Almond	1,476	12.89	19,026
15	Rubbermaid Utility File Slate Blue	3,227	5.78	18,652

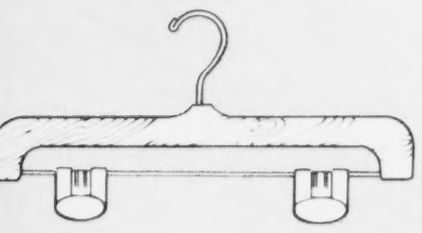
$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	HOME OFFICE PRODUCTS			
1	Esselte Hang File Folder System, 18559	12,504	8.99	112,411
2	Esselte Hang File Folder System, 18504	16,511	4.97	82,060
3	Esselte File Folders, 100-ct.	10,976	5.69	62,453
4	Panasonic Pencil Sharpener, KP100	2,589	21.69	56,155
5	Hunt Electric Pencil Sharpener, 1800	3,248	14.69	47,713
6	Cambridge Prof Trap. Port Notebook, 46096	2,872	13.69	39,318
7	Cambridge Pers Trap. Portbook, 46100	2,324	10.97	25,494
8	Cambridge Portfolio w/Handle, 33082	2,303	8.97	20,658
9	K&M Slanting 1½-in. Binder, SR115	3,828	5.34	20,442
10	Esselte 48-ct. File Folder, 40482	6,757	2.97	20,068
11	Cambridge Address Book, 07300	3,382	5.89	19,920
12	Cambridge Prof Padfolio Letter, 33928	2,631	6.97	18,338
13	Dome Weekly Bookkeeping Record, 600	2,398	7.27	17,433
14	Cambridge Stiff Back Legal Pad, 59870	9,588	1.79	17,163
15	Matrix White Env #10, 250-ct., 73304	4,109	3.69	15,162

Source: Boston Distributors, Maple Heights, Ohio, for the period of January through June, 1987. The company supplies 1,200 stores including over 650 discount stores in 23 states. Average retail prices reflect typical price points for mass merchandisers.

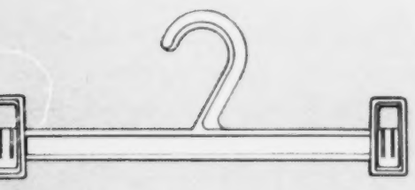
NEW! Batts HANGERS



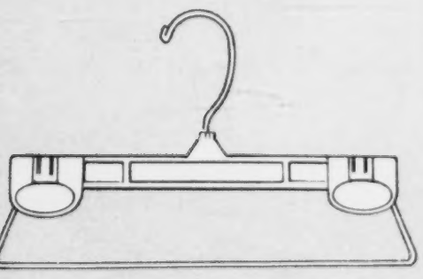
TRADITIONAL™ SLACK/ SKIRT
Adjustable pinch clip with center support. Size: 14".



DELUXE WOOD SLACK
Solid wood walnut finish body . . . adjustable pads. Size: 14".



GEMINI® II SLACK/SKIRT
Pinch clip design . . . wire or plastic hook. Sizes: 7", 10", 12".



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Versatile: high density tri-fold wire option. Slide-Lock® pads. Size: 10".

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Fashion Colors Create Pen, Pencil Lifestyle Trend

(Continued from page 136)
last 36 years, from 48 cents a pen in 1951 to 34 cents each today. In 1951, 53 million writing instruments were sold in the U.S.

The sales gains over the years are due to the growth in the white collar work force; changing school requirements for writing instruments; more ink writing as the population gets better educated; and the technological explosions in writing instruments that continues to expand the market rather than shift it, King said.

Discount store retailers and mass merchandisers figure prominently into these statistics and in the growth of the category as a whole, King and other experts told *DSN*. However, no specific data is available on the exact category sales in this retailing segment.

"Discount stores play a big part in pen sales and will get bigger. No doubt about that," King said.

In fact, discounters and mass merchandisers will be at the forefront of retailers selling writing instruments, several pen manufacturers told *DSN*, especially at the $1 and under price point.

This lower-end merchandise does, however, earn retailers some very good gross margins, 50 percent to 60 percent everyday, and about 20 percent on sale.

Although the lower-end merchandise dominates both the national retail statistics and those of discounters, some higher-priced merchandise is gaining momentum at discount stores and mass merchandisers.

Of particular note these days are mechanical pencils, which charted a 41 percent increase in unit sales last year to more 229,000. The average cost per unit is 76 cents: 63 cents for clutch action pencils and $1.18 for twist action models.

In addition, gift pens and pen sets are accumulating more sales, too. Unit sales grew by 5 percent last year to nearly 3.6 million units, the trade group said.

Phil Sutterfield, vp, merchandising at Price Savers Wholesale Club, said he has been upscaling his pen offerings. This Christmas he is adding some extra stock of higher-priced pens to fill a growing demand for these products. In this category, Price Savers offers pens in the $25 to $150 price range and soon will add one that will retail for $200, compared to $300 at other retail outlets.

To get in on the hottest new growth category, call 1-800-331-6060 ext.138.

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SCHOOL GLUE
Color Crayons
24
79¢ FILLED PENCIL POUCH Storage bag with pencils, eraser, ruler, protractor. Reg. 1.29
2 for 88¢ ART SUPPLIES Elmer's® school glue or Glue All. Gold Circle® 24-ct. crayons. Reg. 69-79¢ ea.
20%off MEAD® NOTEBOOKS Glare Care® or Five Star®. Reg. 1.79-2.99. Sale 1.43-2.39
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20% OFF
PENTECH® MARKERS 36-ct. Spanders: 20-ct. Brush Strokes, 8-ct. erasable, 10-ct. drawing & coloring. Reg. 1.49-2.99. Sale 1.19-2.39
Color
99¢
GOLD CIRCLE® 48-CT. CRAYONS
Great for coloring & school projects. Reg. 1.49

Gold Circle recently ran a four-color tab that included four pages of back-to-school merchandise including pens, pencils, crayons and three multipacks of rainbow-colored markers.

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